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ABSTRACT

This review of state approaches to community college financing includes information from 42 states, representing 97% of the total community college enrollments in the country. Section I offers a brief analysis of the status of community college financing in 1988, highlighting several changes in resource allocation methods. The report notes that funds are directed to institutions on the basis of individual and/or system negotiation instead of by full-time student equivalent (FTE); that the political influence of the system/institution has increasingly become a major factor in determining allocations; and that states are increasingly computing allocations based on a "cost to continue" with an increased number of instances of funding for defined categorical aid. Section II presents tables showing, for each state: (1) operating funds by source; (2) sources of state appropriations by percent for general operating and unrestricted funds; (3) mean expenditures of operating costs for credit programs; (4) rank order of states by reported expenditure per FTE student; (5) states reporting or anticipating changes in methods of financial support; (6) state funds which are categorical or for limited use; (7) sources of funds for capital outlay; (8) sources of funding for noncredit courses; (9) tuition/fee changes; (10) financial aid changes; (11) state provisions for colleges experiencing enrollment declines; and (12) state financial problems. Section III offers brief case studies of the financial situation in each state, grouped by type of funding method. Finally, section IV suggests revised criteria for financing community colleges. A 23-item bibliography is included. (UCM)

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FINANCING COMMUNITY COLLEGES

1988

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JC 880 183

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FOREWORD

This is the tenth in a series of publications relating to financing public community colleges. The Institute of Higher Education, University of Florida, is pleased to present this completely revised analysis of community college financing. Incremental changes over the past ten years have resulted in a new descriptive taxonomy at this time in order to record the ways the 49 states with community colleges allocate funds to these institutions.

We are most appreciative of the State Directors and their staffs who provided data and who cooperated with the Institute of Higher Education in providing support for the dissemination of this study.

We have attempted to interpret the reports and diverse data accurately and completely. We have checked information with the persons who assisted by answering the questions we asked. If errors are found, we apologize. But we also sincerely ask for corrections that will improve the eleventh publication.

We are, of course, most appreciative of the contributions of Barbara Perry, Bruce Judd and others who have assisted in completing this report. In particular, we appreciate the contributions of S.V. Martorana, Dale Tillery, and Kern Alexander, who reacted to the criteria before they were put into their present form.

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SECTION I

STATUS 1988

During each successive year, attention has been called to the increasing number of problems associated with the financial support of community colleges. Previous studies have documented the variety of procedures that are currently used in each of the 50 states. Some of these studies are reported in the literature, especially that deposited in the ERIC files, but others are lost in an unidentified stack of mimeographed reports that accumulate in almost every office. Ideas for improving or at least changing the procedures are discussed continuously. During the past few years there have been themes for discussions of financing higher education centered around the problems of FTE funding, the need for "program" approaches to financing, the need for cost-based funding, the accountability measures needed to indicate cost efficiency, the requirements of equity, the need to find new sources of support, and literally dozens of similar ideas coming from the disciplines of economics, political science, psychology and sociology as well as from theories developed in public administration, public finance and taxation, as well as other related disciplines.

State after state have sought and still are seeking a "holy grail" that will contain a certain magic procedure for financing the community colleges. The principles of equity, fairness, and simplicity in public finance are sought but there is little agreement as to where they are found.

The taxonomy that was developed through the analysis of procedures in each state as reported in previous studies by Wattenbarger and others is no longer appropriate to use in describing the ways that the various states allocate funds. The procedures in each state have been modified so often that incremental changes have finally resulted in entirely new types of negotiated approaches.

It is difficult to apply evaluative criteria to any single state because changes have been subtle and continuous. The result has often been legislative dominance in all areas of state policy relating to the community colleges. In some instances executive leadership has been effective, while in other instances the governor's office has had little or no direct influence on allocation of funds to these colleges. Accountability has been a watchword and has even been regarded as a way of achieving active control over internal policy making. Required testing of students has been used more and more often in admission procedures, and program assignment requirements have been dictated by legislative fiat rather than by policies of the local control boards.

Of great concern is the gap between the philosophical commitments of the community colleges and the financial support allocations. The range of levels of support related to the programs are from fairly complete to

nonexistent. No state provides an ideal program of support and allocation. In fact, the no- or low-tuition commitment that was a philosophical base of community/junior colleges is seldom a matter of discussion any more. Since California began to charge tuition, all states now fall into that column, and it is now only a matter of "how much," not a matter of "whether or not." Most states charge fees that are within the range of 20 to 30% of total expenditures, but each year the amount is increasing and apparently will continue to increase. This study confirms that increase. This study also confirms the fact that practically no one is currently championing a no-tuition policy.

The gap is recognized most quickly when one examines support for community services programs. State directors report that cuts occur in these funds most often. In one state, for example, the most recent legislature eliminated completely the funds for Community Instructional Services (CIS). Other states have reported curtailments and critical attitudes toward expenditures of public funds for lifelong education programs. Yet, demographic predictions and studies that identify community educational needs as well as the college strategic plans themselves generally call for more, not less, attention to programs and concern for older population groups along with the educational needs of business and industry. Since occupational programs are usually more expensive in cost per student, it is important for the state allocation programs to consider this cost in funding community colleges. There are, however, only a few states that actually give consideration to variable costs and as a result, even though the philosophical commitment is there, the funding is not. The result is that colleges rob (so to speak) the less expensive and well supported programs and courses in order to support the more costly programs and courses that are usually occupational and/or technical in nature.

These are examples of some of the gaps that exist. There is not much new in emphasizing these gaps. Most of them have long existed. They are not new discoveries. However, several states have been making progress toward eliminating these to some extent. The current direction, however, indicates a backward movement rather than a forward progress, with restrictive actions from both executive and legislative branches of government.

A new area of increased emphasis is the requirement for remedial or developmental education. Colleges in several states have been encouraged and even required to give more attention to this level of education. In some instances, categorical support has been provided, in other instances, colleges are left to their own devices to locate support funds.

There also seems to be some increased emphasis upon categorical support. Incentives and/or requirements by regulations have been used to support specific curriculum tasks.

The overall movement in allocating funds has clearly been toward more emphasis upon negotiations. Formula funding based largely upon FTE has been in the past the most popular approach, but that is no longer

correct. Incremental modifications have been creeping into the process each year and these have resulted in even more complete changes. The apparent simplicity of allocating funds according to "need" appeals to many people, especially members of legislatures who serve on powerful committees. This process has been almost universal in allocating capital outlay funds. The "your turn, my turn" or the "turkey" approach is not a surprise and if any change has occurred it is that people are no longer trying to hide the fact that "turkeys" do exist. The forces of political power that the "turkey" approach demonstrates have become the most often used approach to funding capital outlay projects.

To summarize, one would outline the following changes in allocating funds to community colleges:

1. Funds are directed to institutions on a basis of individual and/or system negotiation. This is in contrast to funds allocated by way of student FTE.
2. Political influence of the system and/or the institution has increasingly become a major factor in determining the allocations in a number of states.
3. States are increasingly computing allocations based upon a "cost to continue" with an increased number of instances of funding for defined categorical aid.
4. A major rationale for these changes is that such procedures enable the legislature and the executive to influence educational policy in a direct and effective manner.
5. Savings are expected and to some extent are effected by the legislature through capping enrollments, through requiring a test score in order for students to continue, through program reviews by a state agency, through withholding appropriated funds, and through legally increasing or otherwise defining student fees.
6. There is an antithetical combination of forces affecting community colleges that makes their present situation a tense one. On one hand there is the traditional and strong commitment to local control and local concerns while on the other hand there is the increasing pressure for state level dominance. These two forces have been active for 30 years or more; however, the current processes for accountability and the current trends toward state level intrusions have exacerbated the situation. The result has been resignations, reorganizations, debates, decisions to withhold funding, and other punitive actions that establish dominance.
7. Most often changes in state level allocations are made through incremental adjustments, as contrasted with revolutionary sweeping changes. These incremental adjustments seem to have no clearly determined goals, however. They wander toward state level dominance with no overall specific purpose.

SECTION II

STATE PROCEDURES

There are 49 states that support one or more community colleges, junior colleges, technical colleges, two-year branches of four-year colleges or universities, or some other similar institutional arrangement at this level of postsecondary education. This report is focused upon the public community and junior colleges, and data are summarized for those institutions in each state.

The descriptions following herewith were reported by a state officer in each state, summarized by the writers and rechecked for accuracy by each state representative. Statistical data summarizing information are also presented in this section.

Results of the Questionnaire

The questionnaire in this study was used to collect data from each state relating to policies and procedures for financing community colleges in each state. The state directors of community colleges received a copy of the questionnaire with a cover letter. Only seven states failed to return data. These seven states are listed in Table 2.1. South Dakota has no public community colleges and the seven states not returning data constituted 3% of the total enrollment in public two-year colleges. Summary statistics are reported at the end of each table. Participating states not reporting data were not counted in the percentage calculations.

Table 2.2 provides data about the sources of revenue for general operating and unrestricted funds for each state on a percentage basis. Fourteen states reported no local support or less than 1% from local sources. Four states reported percentages of local support higher than state support. Table 2.3 provides data on the sources by percentage that comprise the state share to general operating funds by state.

State level data on mean expenditures per full-time-equivalent student, expenditures per headcount, and the unduplicated full-time and part-time headcount are reported in Table 2.4. The reported full-time-equivalent enrollment is reported generally on an annual basis; however, a few states reported fall data. Table 2.5 is a rank order of states by expenditure per full-time-equivalent enrollment from highest expenditure to lowest.

Table 2.6 lists the states reporting changes in methods of financial support since 1984 by support type. The possible types in which change could occur are general purpose grants/appropriations, restricted grants/appropriations, or formulae. Local changes could occur in tax or tuition policies.

Frequency and percentage statistics reported in Table 2.7 are based on the 39 states responding on this item. Four states did not report data

for this item. Seven states reported changes in general purpose grants/appropriations, which comprise 17.9% of the reporting states. Six states reported changes in restricted purpose/grants funds from 1983 to 1985 or 12.8% of the reporting states on this item have had changes in this area. Of the responding states, 35.4% or 15 have experienced changes in formulas from 1983 to 1985. Local support changes have occurred largely in tuition fees with 30.7% of the states or 12 reporting changes in this area.

In addition, Table 2.7 displays states expecting changes in 1987–88 in these same areas of state and local support. The percentage of states expecting changes in the 1987–88 year range from 5.4 to 8.1.

Data reported by state respondents on categorical funds are provided in Table 2.8. Generally, these funds support economic development or vocational programs. Data on capital outlay totals for 1985–86 and the sources of these funds are shown on Table 2.9. Economic constraints have generally limited the availability of capital outlay funds.

Funding for noncredit courses is currently a topic of much discussion. Based on the literature review it is evident there is divided support on the issue of states sharing in the financing of noncredit lifelong learning courses, in addition to state support for noncredit certificate courses. There is very little support in the literature advocating state support of noncredit recreation/leisure courses. Some believe these noncredit courses should be supported 100% by the student or in combination with local money (Gleazer, 1980; Martorana & Wattenbarger, 1978; Wattenbarger, 1985). Survey data results on how states currently finance noncredit courses in the areas of certificate programs, lifelong learning, and recreation/leisure are displayed in Table 2.10. Thirteen states support noncredit certificate programs with state funds. Of that 13, 11 states provide percentages equal to or higher than percentage contributions from local and student support. In other words, about 26% of the states with such programs provide at least the majority of funds for noncredit certificate programs. Fifteen of those programs are supported 100% by student fees. The two controversial areas for state support of noncredit courses are noncredit lifelong learning and recreational/leisure courses. Five states support lifelong learning courses and one state, Indiana, supports recreation/leisure courses.

Student tuition is another controversial topic in recent literature. Some authors and researchers link increasing tuition to decreasing equal opportunity for students for whom community colleges were created to serve. Table 2.11 is a display of data on the percent of tuition/fees which have increased or decreased, by state, since 1983. Decrease in fees occurred in Alabama for out-of-state students. The remainder of states reporting changes reported increases. Ten states reported an increase of a minimum of approximately 20% for in-district or in-state fees. Four states report percentage increases above 30% for tuition.

The questionnaire gathered data related to state mandated activities and the corresponding level of state support for those activities. Discus-

sion on legislatively mandated activities is prevalent in finance literature. This can include mandated entry or exit level testing and placement of students as a result of test scores. It can also include reducing class sizes in specific courses with caps on those enrollments for future years.

The amount of funds available for financial aid has been a topic of concern in the literature for the last two years. Survey results reported on Table 2.12 show the percent change in funds available for financial aid from fiscal year 1983 to 1985.

A frequently discussed topic in finance literature is the impact of enrollment declines on financing community college systems. In many instances the loss of enrollment revenue and corresponding loss of state or local funding per student enrollment has placed many systems in the awkward position of being unable to protect minimum quality standards for programs. Enrollment decline is the overriding factor causing many states to change from an enrollment-driven finance procedure to a cost-driven procedure, or a formula-grant procedure. Table 2.13 lists the respondents' quotes on the survey question concerning state provisions for colleges experiencing enrollment declines.

Table 2.14 displays each state's respondent's reply to the question relative to current critical problems facing state financing of community colleges. Mentioned frequently by these respondents as problems are enrollment declines, shrinking tax bases and revenues, and the high cost of technical programs.

The survey asked whether the state takes into account the traditional purposes of the community college when planning allocation funding policies. Table 2.15 is a display of the responses to this question. Some state systems do not have responsibility for all purposes mentioned and therefore answered "NO" to those sections. Fourteen state respondents replied "NO" to the issue of consideration of increasing access to non-traditional students when planning finance policies. That number is approximately 30% of the responding surveyed states.

TABLE 2.1
STATES FROM WHICH NO DATA WERE REPORTED

No Data Reported	Fall 1985 Enrollment (Public)
Alaska	18,103
Hawaii	21,588
Maine	11,865
Massachusetts	69,860
New Hampshire	6,055
North Dakota	7,615
Vermont	3,634
Seven states total	138,720
Total U.S.	4,584,901
% of total enrollment	3%

Note. South Dakota reports no public two-year colleges in that state.
Source: American Association of Community and Junior Colleges, 1987.

TABLE 2.2
PERCENT OF 1985–86 OPERATING FUNDS BY SOURCE

State	State %	Local %	Student Fees %	Federal %	Other %	Total Funds
Alabama	64.0	1.0	12.0	16.0	7.0	204,000,000
Alaska*	74.9	2.13	11.1	3.0	6.4	–
Arizona						
Arkansas	77.0	0	19.0	1.0	3.0	25,561,307
California	61.63	29.28	4.27	0	4.82	1,701,153,544
Colorado	58.9	0	25.6	0	15.5	78,035,313
Connecticut	68.85	0	24.45	6.7	0	59,971,572
Delaware	78.0	0	13.0	9.0	0	32,000,000
Florida	74.68	0.04	22.03	0.27	2.98	481,937,469
Georgia	78.0	0	21.0	0	1.0	68,634,872
Hawaii						
Idaho	38.7	31.8	14.3	4.3	10.8	15,018,800
Illinois	37.0	34.8	23.2	0.5	4.5	513,487,504
Indiana	64.0	0	36.0	0	0	77,610,000
Iowa	49.07	10.96	30.72	5.31	3.94	137,610,836
Kansas	25.2	59.4	9.8	2.3	3.3	105,710,633
Kentucky	74.8	0.2	24.8	0.1	0.1	42,420,293
Louisiana	69.24	0	30.14	0.24	0	16,729,582
Maine						
Maryland	40.0	32.0	27.0	0	2.0	196,886,793
Massachusetts						
Michigan	40.6	25.3	29.1	1.5	3.5	413,346,318
Minnesota	64.0	0	36.0	0	0	89,668,328
Mississippi	45.8	16.7	17.0	6.4	14.1	125,619,077
Missouri	39.8	28.7	20.5	2.6	8.4	119,148,025
Montana	42.5	38.8	7.2	7.4	4.0	–
Nebraska	36.8	42.5	15.9	1.7	3.1	60,992,309
Nevada	81.2	0	17.3	0	16.6	21,452,317
New Hampshire						
New Jersey	34.0	30.0	28.0	0	8.0	–
New Mexico	77.7	5.9	10.7	.9	4.8	–
New York SUNY	33.8	31.6	28.2	1.5	4.9	32,814,132
North Carolina	78.6	12.3	5.7	3.2	0.2	304,901,343
North Dakota						
Ohio	48.89	21.56	25.8	0.13	3.62	141,797,410
Oklahoma*	79.1	0	12.4	0	7.9	–

(continued)

TABLE 2.2—Continued

State	State %	Local %	Student Fees %	Federal %	Other %	Total Funds
Oregon	34.7	48.3	17.0	0	0	165,124,828
Pennsylvania	37.4	27.2	35.0	0.4	0	207,449,869
Rhode Island	74.0	0	23.0	0	1.0	29,256,456
South Carolina	67.74	8.22	14.55	0.75	2.49	133,657,528
South Dakota	No community colleges					
Tennessee	77.3	0	16.9	0	1.3	73,079,700
Texas	61.33	17.0	11.58	4.41	5.68	757,502,517
Utah	58.0	0	18.0	5.0	19.0	67,552,507
Vermont						
Virginia**	69.7	0	21.9	5.7	2.7	213,034,141
Washington	84.6	0	15.4	0	0	244,990,332
West Virginia	70.0	0	19.0	6.0	5.0	14,559,000
Wisconsin	26.0	53.0	16.0	5.0	0	304,932,500
Wyoming	64.0	30.0	6.0	0	0	53,810,091

* 1984–85 reported data

** 1986–87 reported data

NOTE: These are as reported by state officials and a few do not total 100%.

TABLE 2.3
SOURCES OF STATE APPROPRIATIONS BY PERCENT FOR GENERAL OPERATING AND UNRESTRICTED FUNDS

State	Sales Tax %	Income Tax %	Property Tax %	Excise Tax %	Lottery %	General Fund %	Other %
Alabama	33	48					12
Alaska (2)							
Arizona (1)							
Arkansas						100	
California					5.2	94.5	.3
Colorado						100	
Connecticut							
Delaware						100	
Florida					*	100	
Georgia	33.2	47.9	.3	4.1	0	14.5	
Hawaii (2)							
Idaho						94.6	5.4
Illinois						100	
Indiana						100	
Iowa (1)							
Kansas	34.2	44.8				9.2	
Kentucky						100	
Louisiana	16.9	18.8		3.1		15.7	
Maine (1)							
Maryland						100	
Massachusetts (1)							
Michigan						100	
Minnesota						100	
Mississippi						100	
Missouri						100	
Montana						49	51
Nebraska	37.2	49.4				13.4	
Nevada	33		1.4				
New Hampshire (1)							
New Jersey	(No taxes specified for higher ed. Some programs funded from lottery which reimburses general fund for expenditures.)						
New Mexico	38.3	12.6				13.4	10.1
New York SUNY		100					
North Carolina						100	
North Dakota (1)							

(continued)

TABLE 2.3—Continued

State	Sales Tax %	Income Tax %	Property Tax %	Excise Tax %	Lottery %	General Fund %	Other %
Ohio						100	
Oklahoma (1)							
Oregon (1)							
Pennsylvania						100	
Rhode Island						100	
South Carolina						100	
South Dakota (3)							
Tennessee						100	
Texas						100	
Utah (1)							
Vermont (1)							
Virginia						100	
Washington	84.6					15.4	
West Virginia						100	
Wisconsin						99.7	.3
Wyoming						100	
Frequency	8	6	2	3	2	32	4
Percentage of 36 reporting states	22.2	16.6	5.5	8.3	5.5	88.2	11.1

(1) No breakdown reported
(2) Did not participate
(3) No community college system
*State lottery scheduled to begin January 1988

TABLE 2.4
1985–86 MEAN EXPENDITURES OF OPERATING COSTS
FOR CREDIT PROGRAMS BY STATE

State	$ per Unduplicated Headcount	$ per FTE	Unduplicated Headcount FT $	Unduplicated Headcount PT $	Annual FTE $
Alabama	3,405	4,458	33,553	25,207	44,978
Alaska (2)					
Arizona		3,454			50,101
Arkansas	3,284	5,092	4,254	5,696	6,418
California	1,687.47	3,007.90	261,471	918,489	659,499
Colorado		3,202			19,600
Connecticut		4,511			2,978 (Fall FTE)
Delaware		3,814			5,951
Florida	599.59	3,620	72,387	143,518	132,833
Georgia	5,104				13,447
Hawaii					2,580
Idaho		5,821			
Illinois		2,744			181,687
Indiana	1,289	3,332	11,097	49,097	23,293
Iowa	3,496.89	2,633.85	38,793	49,041	52,247
Kansas		4,072			
Kentucky (1)					
Louisiana	2,070	3,349			4,996
Maine (1)					
Maryland		2,855			
Massachusetts (1)					
Michigan		3,461			109,925
Minnesota	1,460	3,700	total 61,400		24,237
Mississippi		2,998			41,907
Missouri		4,218			28,241
Montana	3,391	3,553	1,279	2,258	1,823
Nebraska	554.35	3,532.48	108,501		17,027
Nevada	945	2,912			7,366
New Hampshire (1)					
			(Fall)		
New Jersey	2,310	3,756	37,692	69,664	66,025
New Mexico	3,766				7,127
New York SUNY		4,248			126,074
North Carolina		2,172.75			88,903

(continued)

TABLE 2.4—Continued

State	$ per Unduplicated Headcount	$ per FTE	Unduplicated Headcount FT $	Unduplicated Headcount PT $	Annual FTE $
North Dakota (1)					
Ohio	2,553	5,041	12,262	50,940	31,759
Oklahoma (1)					
Oregon		3,421			48,268
Pennsylvania	2,794				74,245
Rhode Island	2,194	4,135	4,095	8,190	6,520
South Carolina		3,003			27,600
South Dakota (3)					
Tennessee	3,350	4,740	58,098	49,992	76,409
Texas (1)					
Utah		5,063			13,342
Vermont (1)					
Virginia	953	3,604	48,595	145,783	51,380
Washington	1,793	2,932	63,932	72,674	83,555
West Virginia	1,677	2,894	2,998	5,255	4,783
Wisconsin		5,097			51,349
Wyoming	3,369	5,267	5,439	10,750	10,217

(1) Data not reported
(2) Did not participate
(3) No community college system

TABLE 2.5
RANK ORDER OF STATES BY REPORTED EXPENDITURE PER FTE 1985–86 DATA

State	Expenditure per FTE	Annual FTE
Idaho	5,821	2,580
Wyoming*	5,267	10,217
Wisconsin	5,147	56,173
Georgia	5,104	13,447
Arkansas	5,092	6,418
Utah	5,063	13,342
Ohio	5,041	31,759
Tennessee	4,740	76,409
Connecticut	4,511	13,716
Alabama	4,458	44,878
New York SUNY	4,248	126,074
Missouri	4,218	28,241
Rhode Island	4,135	6,520
Kansas	4,072	25,959
Delaware	3,814	5,951
New Mexico	3,766	7,127
New Jersey	3,756	66,025
Florida	3,620	132,833
Virginia	3,604	51,380
Montana	3,553	1,823
Nebraska	3,532	17,027
Michigan	3,461	109,925
Arizona	3,454	51,101
Oregon	3,421	48,268
Louisiana	3,349	4,996
Indiana	3,332	23,293
Colorado	3,202	19,600
California	3,007	659,499
South Carolina	3,003	27,600
Mississippi	2,998	41,907
Washington	2,932	83,555
Nevada	2,912	7,366
West Virginia	2,894	4,783
Maryland	2,855	64,532
Pennsylvania	2,794	74,245
Illinois	2,744	181,687

(continued)

TABLE 2.5—Continued

State	Expenditure per FTE	Annual FTE
Minnesota	2,700	24,237
Iowa	2,633	52,247
North Carolina	2,172	88,903

States With No Reported Data:

- Alaska
- Hawaii
- Kentucky
- Maine
- Massachusetts
- New Hampshire
- North Dakota
- Oklahoma
- South Dakota
- Texas
- Vermont

*computed from reported data

TABLE 2.6
STATES REPORTING CHANGES IN METHODS OF FINANCIAL SUPPORT FROM 1983 THROUGH 1985

State	State Support			Local Support	
	General Purpose Funds	Restricted Purpose Funds	Funding Formulae	Tax	Tuition and Fees
Alabama		X	X		X
Alaska (1)					
Arizona (2)					
Arkansas (3)					
California (3)					
Colorado	X		X		
Connecticut	X		X		X
Delaware (3)					
Florida					X
Georgia (3)					
Hawaii (1)					
Idaho			X		
Illinois	X	X		X	X
Indiana (3)					
Iowa	X		X		
Kansas			X		
Kentucky			X		X
Louisiana (3)					
Maine (1)					
Maryland	X		X		
Massachusetts (1)					
Michigan (3)					
Minnesota			X		X (Tuition set at 33% of instructional costs)
Mississippi (3)					
Missouri		X		X	X
Montana	X		X	X	
Nebraska			X	X	X
Nevada			X		
New Hampshire (1)					
New Jersey		X			
New Mexico (2)					

(continued)

TABLE 2.6—Continued

State	State Support: General Purpose Funds	State Support: Restricted Purpose Funds	State Support: Funding Formulae	Local Support: Tax	Local Support: Tuition and Fees
New York	X	X	X		X
North Carolina					X
North Dakota (1)					
Ohio (3)					
Oklahoma (2)					
Oregon (2)					
Pennsylvania			X		
Rhode Island (1)					
South Carolina (3)					
South Dakota (4)					
Tennessee (3)					
Texas (3)					
Utah					X
Vermont (1)					
Virginia			X		X
	(Revised the general fund to tuition ratio to finance lower tuition rates)				
Washington (3)					
West Virginia (3)					
Wisconsin		X			
Wyoming					X (To statewide uniform rate)
Frequency	7	6	15	4	12
Percent of 39 states reporting data	17.9	12.8	38.4	10.2	30.7

(1) Did not participate in survey
(2) No data reported
(3) No changes in methods
(4) No community college system

Note 1. Four participating states reported no data for this item. Missing data not counted.
Note 2. Percentages by category will not add to 100 across categories.

TABLE 2.7
STATES ANTICIPATING CHANGES IN FUNDING IN THE NEXT FISCAL YEAR OF 1987–88

State	State Support			Local Support	
	General Purpose Funds	Restricted Purpose Funds	Funding Formulae	Tax	Tuition and Fees
Alabama (3)					
Alaska (1)					
Arizona (2)					
Arkansas (3)					
California (3)	(Changes will occur in FY 1988–89)				
Colorado			X		
Connecticut			X		
Delaware (3)					
Florida (3)					
Georgia (3)					
Hawaii (1)					
Idaho (3)					
Illinois		X		X	
Indiana (3)					
Iowa (3)					
Kansas (3)					
Kentucky (3)					
Louisiana (3)					
Maine (2)					
Maryland (3)					
Massachusetts (2)					
Michigan (3)					
Minnesota (3)					
Mississippi (3)					
Missouri (3)					
Montana (3)					
Nebraska	X			X	X
Nevada (3)					
New Hampshire (2)					
New Jersey (3)					
New Mexico (2)					
New York SUNY	X	X	X		X
North Carolina			X	X	
North Dakota (2)					
Ohio (3)					

(continued)

TABLE 2.7—Continued

State	State Support			Local Support	
	General Purpose Funds	Restricted Purpose Funds	Funding Formulae	Tax	Tuition and Fees
Oklahoma (2)					
Oregon (2)					
Pennsylvania (3)					
Rhode Island (3)					
South Carolina (3)					
South Dakota (4)					
Texas (3)					
Utah					X
Vermont (2)					
Virginia		X			
Washington (3)					
West Virginia (3)					
Wisconsin (3)					
Wyoming (3)					
Frequency	2	3	3	3	3
Percentage of 37 responding states	5.4	8.1	8.1	8.1	8.1

(1) Did not participate in survey
(2) No data reported for item
(3) No changes anticipated
(4) No community college system

Note 1. Ten participating states report no data.
Note 2. Missing data not calculated data.

TABLE 2.8
PERCENT OF TOTAL STATE FUNDS WHICH ARE CATEGORICAL OR LIMITED USE

State	Percent Categorical	Categorically Supported Programs
Alabama	0	
Alaska (1)		
Arizona (2)		
Arkansas	1	economic development funds restricted to operating or capital funds
California	6.41	educational opportunity programs and services; English as second language; handicapped; firefighter apprenticeship, etc.
Colorado	0	
Connecticut	100	salaries, operating expense, equipment, fixed charges
Delaware (2)		
Florida	2	2% of previous year's appropriation must be used for staff and program development (25% of this must be used for minority). Funds for developmental education and lifelong education are categorized but vary in percentage by college
Georgia	0	
Hawaii (1)		
Idaho	0	
Illinois	7.2	disadvantaged student programs; economic development; advanced technology equipment
Indiana	0	
Iowa (2)		
Kansas	98	no clarification
Kentucky	.1	minority scholarships; archival projects
Louisiana	0	
Maine (2)		
Maryland	0	
Massachusetts (2)		
Michigan	3	job training and retraining
Minnesota (2)		
Mississippi	14	A.S. degree nursing; vocational education
Missouri	0	
Montana	100	no clarification
Nebraska	0	

(continued)

TABLE 2.8—Continued

State	Percent Categorical	Categorically Supported Programs
Nevada	0	
New Hampshire (2)		
New Jersey	8	remedial; technical; allied health
New Mexico	0	
New York SUNY	40	credit and noncredit (no clarification)
North Carolina	12	varied programs in transfer programs; new industry; human resource development
North Dakota (2)		
Ohio	2.98	
Oklahoma (2)		
Oregon (2)		
Pennsylvania	0	
Rhode Island	0	
South Carolina	10.49	desegregation; job retraining and other nonrecurring appropriations
South Dakota (3)		
Tennessee	0	
Texas	100	all limited use
Utah	.76	student aid
Vermont (2)		
Virginia	0	
Washington	3	equipment
West Virginia	0	
Wisconsin	10	displaced homemaker; fire service instructor; driver's ed.
Wyoming	0	

(1) Did not participate in survey
(2) No data reported
(3) No community college system

TABLE 2.9
STATE-REPORTED SOURCES OF FUNDS
FOR CAPITAL OUTLAY FOR 1985–86

State	Total Amount Available $	Local Taxes/Bonds $	State Taxes/Bonds $	Other $
Alabama	26,000,000			
Alaska (2)				
Arizona (1)				
Arkansas	4,674,714	4,674,714		
California	50,713,500	13,750,400	36,963,100	
Colorado	1,837,514		1,837,514	
Connecticut	1,982,428		1,982,428	
Delaware	3,525,000		3,525,000	
Florida	42,719,000			
Georgia	2,978,819		2,978,819	
Hawaii				
Idaho (1)				
Illinois	94,488,710	53,459,060	41,029,650	
Indiana	4,106,166		4,106,166	
Iowa	14,444,734	14,444,734		
Kansas	5,653,843	5,653,843		
Kentucky	3,630,700		2,425,000	1,205,000
Louisiana	150,000,000		150,000,000 (50% actually funded)	
Maine				
Maryland	6,000,000		6,000,000	
Massachusetts				
Michigan				
Minnesota	5,330,000		5,330,000	
Mississippi	12,200,000	10,900,000		1,200,000 federal voc. ed 100,000 tuition fund
Missouri (1)				
Montana	0			
Nebraska	4,332,508	4,332,508		
Nevada	7,759,000		7,759,000	
New Hampshire				
New Jersey	1,688,700	5,344,350	5,344,350	
New Mexico	11,857(est)	5,000(est)	6,857(est)	
New York SUNY	300,000	150,000	150,000	

(continued)

TABLE 2.9—Continued

State	Total Amount Available $	Local Taxes/Bonds $	State Taxes/Bonds $	Other $
North Carolina	43,047,389	21,672,889	21,374,500	
North Dakota				
Ohio	30,878,000	biennial appropriation		
Oklahoma (1)				
Oregon (1)				
Pennsylvania	49,725,302	24,862,651	24,862,651	
Rhode Island	880,100			880,100 general fund
South Carolina	8,595,505			8,595,505
South Dakota (3)				
Tennessee	16,887,000		16,887,000	
Texas (1)				
Utah	4,473,000		4,473,000	
Vermont				
Virginia	15,318,875		11,888,075	3,430,800 local
Washington	68,844,000		68,844,000	
West Virginia	6,282,000			6,282,000 fees & bonds
Wisconsin	62,818,900	55,795,800	6,673,100	350,000 fed V.E.A.
Wyoming	1,334,951			1,334,951 mineral services

(1) Data not reported
(2) Did not participate
(3) No community college system

TABLE 2.10
SOURCES OF FUNDING FOR NONCREDIT COURSES BY PERCENTAGE

	Noncredit Certificate			Lifelong Learning			Recreation/Leisure		
State	% State	% Local	% Student	% State	% Local	% Student	% State	% local	% Student
Alabama			100			100			100
Alaska (2)									
Arizona (1)									
Arkansas			100			100			100
California	65	35	0	0	10	90	0	5	95
Colorado			100			100			
Connecticut			100			100			100
Delaware	10		90	10		90			
Florida	88.3	0	11.7	74.8	0	25.2			100
Georgia			100			100			100
Hawaii (2)									
Idaho (1)									
Illinois (4)		•	•		•	•		•	•
Indiana	64	<1	36	64	<1	36	64	<1	36
Iowa (5)	•			•					
Kansas					25	75		20	80
Kentucky						100			100
Louisiana			100			100			100
Maine (1)	33.3	33.3	33.3	33.3	33.3	33.3			
Massachusetts (1)									
Michigan			100			100			100
Minnesota	50		50	50		50			100
Mississippi		100			100			100	
Missouri	39.8	28.7	20.5						
Montana	49		51			100			100
Nebraska			100			100			100
Nevada			100			100			100
New Hampshire (1)									
New Jersey (6)			•			••			••
New Mexico									
New York SUNY						100			100
North Carolina	90		10						100
North Dakota (1)									
Ohio			100			100			100
Oklahoma (1)									

(continued)

TABLE 2.10—Continued

State	Noncredit Certificate			Lifelong Learning			Recreation/Leisure		
	% State	% Local	% Student	% State	% Local	% Student	% State	% Local	% Student
Oregon (1)									
Pennsylvania (1)									
Rhode Island			100			100			
South Carolina						100			100
South Dakota (3)									
Tennessee			100			100			100
Texas	71	17	12			100			100
Utah	60		40			100			100
Vermont (1)									
Virginia			100			100			100
Washington			100			100			100
West Virginia			100			100			100
Wisconsin	24	61	15		85	15		85	15
Wyoming (7)	50	•	•			100			100
Frequency	14	9	29	6	8	31	1	6	29
Percentage of 36 states reporting	38.8	25	80.5	16.6	22.2	86.1	2.7	16.6	80.5

(1) Data not reported
(2) Did not participate
(3) No community college system
(4) •Varies by institution for local and student support
(5) •Both receive state support but no % reported
(6) •Max. amount set by state ••Varies by institution
(7) •50% combination of these two

TABLE 2.11
PERCENT OF INCREASE/DECREASE IN TOTAL TUITION/FEES FROM FISCAL YEAR 1983 TO 1985 BY STATE

State	In-District % (%)	In-State % (%)	Out-of-State % (%)	State Support Resident Yes	Resident No	Nonresident Yes	Nonresident No
Alabama		1	12	X		X	
Alaska (2)							
Arizona (1)							
Arkansas	10.2	9.8	21.0	X		X	
California (1)							
Colorado		13.4	9.8	X		X	
Connecticut		29.0	19.4	X		X	
Delaware		12	12	X		X	
Florida		9.27	13.74	X		X	
Georgia		31.9	32.2	X		X	
Hawaii (2)							
Idaho (1)							
Illinois	22.8	17.8	10.7	X			X
Indiana		13	13	X		X	
Iowa		27	31	X			X
Kansas	20	20	26	X		X	
Kentucky		25.6	25.6	X		X	
Louisiana	16.9			X		X	
Maine (1)							
Maryland	15.9	16.8	16.5	X			X
Massachusetts (1)							
Michigan	10	10	10	X			X
Minnesota		34.2	34.2	X		X	
Mississippi	17.5	17	5.4	X		X	
Missouri (1)							
Montana	12	14	5	X		X	
Nebraska	Total increase 19.25						
Nevada				X		X	
New Hampshire (1)							
New Jersey	Varies systemwide, state maximum is 20						
New Mexico							
New York SUNY	3.5	6.9		X			X
North Carolina (1)				X		X	
North Dakota (1)							
Ohio	6.69	6.69	34.57	X		X	

(continued)

TABLE 2.11—Continued

State	In-District %	(%)	In-State %	(%)	Out-of-State %	(%)	State Support Resident Yes	Resident No	Nonresident Yes	Nonresident No
Oklahoma (1)										
Oregon (1)										
Pennsylvania	11.1						X		X	
Rhode Island			11				X			
South Carolina (1986)	14.8		17.9		14.1		X		X	
South Dakota (3)										
Tennessee	10		10		10		X		X	
Texas	Varies by institution, system increase 13.04									
Utah (4)			11		11		X		X	
Vermont (1)										
Virginia			33		33		X			X
Washington	34.6		34.6		35.2		X		X	
West Virginia	18		18		12		X		X	
Wisconsin			23				X			X
Wyoming			5.5		5.5		X		X	
Frequency	17	0	31	0	26	1	33	0	26	7
Percentage of 33 reporting states	51.5	0	93.9	0	78.7	3	100	0	78.7	21.2

(1) No data reported
(2) Did not participate
(3) No community college system
(4) Does not include a one-time surcharge in 1985–86 of 2%
(%) Decrease
% Increase

TABLE 2.12
PERCENT CHANGE IN FUNDS AVAILABLE FOR FINANCIAL AID FROM FISCAL YEAR 1983 TO 1985

State	Federal (%)	%	State (%)	%	Private Foundation (%)	%	Institutional Funds (%)	%
Alabama								
Alaska (2)								
Arizona								
Arkansas		1.3	157					
California (1)								
Colorado	37.2		13.7					
Connecticut	3.7		51.5				2	
Delaware	27		25					
Florida (1)								
Georgia	10		10					
Hawaii								
Idaho (1)								
Illinois	20			30	55			
Indiana			18				65	
Iowa								
Kansas (1)								
Kentucky	20		10		5			
Louisiana (1)								
Maine								
Maryland	10.35		7.64		7.47		51.85	
Massachusetts								
Michigan								
Minnesota (1)								
Mississippi (1)								
Missouri (1)								
Montana (1)								
Nebraska (1)								
Nevada			5				5	
New Hampshire							41	
New Jersey		8	34					
New Mexico			165					2.6
New York SUNY	16		1					
North Carolina (1)								
North Dakota								

(continued)

TABLE 2.12—Continued

State	Federal (%)	Federal %	State (%)	State %	Private Foundation (%)	Private Foundation %	Institutional Funds (%)	Institutional Funds %
Ohio			13.4					
Oklahoma								
Oregon								
Pennsylvania								
Rhode Island	1		22		99			
South Carolina	16				12			
South Dakota (3)								
Tennessee (1)								
Texas (1)								
Utah	23		30					
Vermont								
Virginia	30							
	(funds increased but number of recipients decreased 1%)							
Washington	146		70					80
West Virginia	10				5			
Wisconsin	13		20		16		25	
Wyoming (1)								
Frequency	14	2	15	1	7	0	7	2
Percent of 35 reporting states	40	5.7	42.8	2.8	20	0	20	5.7

(1) Data not reported
(2) Did not participate
(3) No community college system
(%) Decrease
% Increase

TABLE 2.13
STATE PROVISIONS FOR COLLEGES EXPERIENCING ENROLLMENT DECLINES

State	YES	NO	Comments
Alabama		X	
Arkansas	NA	NA	
California	X		CC budget provides funds to districts to stabilize C budget because of declining enrollment. Chancellor's office has spread out revenue reductions over a 3-year period instead of immediate reduction brought about because of declining enrollments.
Colorado	X		2.5 year lag in funded enrollments. Fixed/variable cost approach. Special provisions if decline caused by state action.
Connecticut		X	Faculty lines will be decreased based on 3-year enrollment coverage used in the instructional formula.
Delaware			
Florida	X		The average FTE enrollment over the prior 3 years must be more then 5% below the funded enrollments for the previous year before the cost-to-continue amount is reduced.
Georgia		X	
Idaho		X	Not enrollment driven.
Illinois		X	
Indiana	X		1. Funding is adjusted downward to reflect reduced enrollment. 2. New funding is recommended for student outreach programs.
Kansas		X	
Kentucky		X	
Louisiana	X		Under the formula a provision allows institutions to be funded at the same amount as in the previous year. However, due to severe state economic problems, formula funding has been reduced in the last two years.
Maryland	X		Funding on two prior year FTEs see proposed funding changes in proposed legislation.
Michigan			

(continued)

TABLE 2.13—Continued

State	YES	NO	Comments
Minnesota		X	We had a "safety-net" to replace tuition lost beyond 3% of the previous year's enrollment with the state appropriations. We discontinued this practice in FY 1986.
Mississippi		X	
Missouri	NA	NA	
Montana		X	
Nebraska		X	
New Jersey	X		The sector's allocation formula is based upon the enrollment at the college the previous year. College's experiencing enrollment declines have a 1-year grace period before the decline impacts upon state funding.
New York SUNY	X		State aid formula allows a college to use the greater of either a calculated FTE (20-30-50% of past 3 years) or previous year's actual FTE to calculate state aid.
New Mexico			Has limited funding decrease to a maximum of 10% in a single year for the last two years.
Nevada			No formal policy on statute directives in the area, but an informal practice exists where state budget/ legislature will not reduce existing FT faculty for a biennial period.
North Carolina	X		3/3 Rule
Ohio	X		Yes, each institution has a "base" FTE. If the institution's enrollment (FTE) falls below the "base" FTE, part of the funding is determined at the "base" FTE to provide funding protection for the institution.
Pennsylvania		X	
Rhode Island		X	
South Carolina		X	Only formula funding is basis of allocations.
Tennessee		X	
Texas		X	
Utah		X	No, we are projecting enrollment growth to continue for a number of years.
Virginia			
Washington		X	

TABLE 2.13—Continued

State	YES	NO	Comments
West Virginia		X	Funding is not enrollment driven. Trends are monitored and adjustment made in consultation w/institutions.
Wisconsin		X	
Wyoming			1. Funding is *not* provided on enrollment basis. 2. Special funds to assist in covering tuition shortfall.

States not providing data:

- Alaska
- Arizona
- Hawaii
- Iowa
- Maine
- Massachusetts
- New Hampshire
- North Dakota
- Oklahoma
- Oregon
- South Dakota
- Vermont

TABLE 2.14
REPORTED CURRENT CRITICAL PROBLEMS
FACING STATE FINANCING

State	Reported Problems
Alabama	"Proration; lack of stable funding base."
Arkansas	Declining enrollments and funding for deferred maintenance. CCs do not participate in state capital fund.
California	Constitutional spending limits, deferred maintenance, capital outlay programs, turning around lost revenue due to declining enrollments, adequate funding.
Colorado	Overall funding levels, small college issues, local district issues, revenue deducts.
Connecticut	Adequate funding for necessary support staff, deferred maintenance on facilities, and funding for noncredit Job Training Programs.
Florida	Replacement of obsolete and worn equipment; faculty salaries.
Georgia	Enrollment declines.
Idaho	1. Declining percentage of state funds in total. 2. Property tax caps. 3. The attitude that CCs are not part of the state system of higher education.
Illinois	Declining farmland values which reduce the local tax base of the colleges.
Kansas	"Lack of state revenues."
Kentucky	Adequate funding for primary and support programs, salaries, equipment, student aid, renovation/repair projects, and new facilities.
Louisiana	The same as the problems facing all of higher education and the state in general—a shrinking revenue base.
Maryland	Chapter V in Blueprint for Quality.
Minnesota	Faculty salaries, special support services to disadvantaged students, initiatives in telecommunications, continuing education for economic development.
Mississippi	In-year budget reductions by state 4 of last 5 years; reduction in state support for FY 1987 by 14%; local tax support not increasing proportionately to state support or to total revenues; no provision for differential program cost.
Montana	Revenue shortfall in state taxes has produced deductions in state funds for all state agencies.

TABLE 2.14—Continued

State	Reported Problems
Nebraska	1. Absolute dollar declines in state-aid funding. 2. Continued pressure on property taxes and tuition as a substitute for state-aid (Nebraska is a relatively high property tax state). 3. Disproportionate enrollment growth in eastern urban areas which effectively shift state-aid from primarily rural areas. 4. New priorities in economic development and job-retraining for which no new funds are available.
New Jersey	Declining enrollments; increasing number of students in need of basic skills remediation; high cost of technical allied health programs.
New Mexico	1. Establishing a formula funding mechanism for independent two-year colleges. 2. Funding for student services (what level should state support).
New York	SUNY has committed to providing aid for 40% of net operating costs, but this has not been achieved. Also, additional funding is sought for technical programs to cover higher cost of equipment and instruction.
Nevada	Administrative support staffing.
North Carolina	Instructional salaries.
Ohio	"The community colleges are offering more noncredit courses, and courses that are specific to a short-term project, that are not being funded by the state."
Pennsylvania	"Additional funding needed for operating. Proposal for funding changes is being prepared."
Rhode Island	Governor has limited state appropriation increases for FY 88 to 4.5% over FY 87. This does not allow funds for any expanded programs or changes.
South Carolina	"Revenue shortfalls—2.6% budget cut—austere budgeting." State not meeting 100% formula funding.
Texas	Unprecedented state deficit.
Utah	"Adequate funding for enrollment growth; equipment, libraries, faculty salaries."
Virginia	Enrollments are expected to grow by approximately 4% this FY. This increase is not financed in current appropriations.
Washington	Faculty salaries, equipment, plant maintenance, student assessment.

(continued)

TABLE 2.14—Continued

State	Reported Problems
West Virginia	Lack of growth in state support, pressure to raise student fees, and increased administrative flexibility.
Wisconsin	Limit of 1-5 mills on property taxes for operational purposes.
Wyoming	Declining enrollment, declining population.

States not providing data:

- Alaska
- Arizona
- Delaware
- Hawaii
- Indiana
- Iowa
- Maine
- Massachusetts
- Michigan
- Missouri
- New Hampshire
- North Dakota
- Oklahoma
- Oregon
- Tennessee
- South Dakota
- Vermont

TABLE 2.15
STATES TAKING INTO ACCOUNT THE GENERAL PURPOSES OF THE COMMUNITY COLLEGE WHEN PLANNING/ALLOCATING FUNDED POLICIES

State	Parallel Transfer YES	Parallel Transfer NO	Vocational YES	Vocational NO	Increase Access to Nontraditional Student YES	Increase Access to Nontraditional Student NO	Support for Community Service YES	Support for Community Service NO
Alabama	X		X		X		X	
Arizona		X	X		X		X	
California		X		X		X		X
Colorado		X	X			X		X
Connecticut	X		X		X			X
Delaware	X		X		X			X
Florida	X		X		X		X	
Georgia	X		X			X		X
Idaho		X		X		X		X
Illinois	X		X		X		X	
Indiana	X		X		X		X	
Kansas		X		X		X		X
Kentucky	X			X	X			X
Louisiana		X		X		X		X
Maryland		X		X	X (PT)		X (except recreation)	
Michigan								
Minnesota	X		X		X		X	
Mississippi	X		X			X		X
Missouri		X	X			X		X
Montana		X		X		X		X
Nebraska		X	X			X		X
Nevada		X	X		X			X
New Jersey	X		X		X		X	
New Mexico		X		X		X		X
New York	X		X		X		X	
North Carolina	X		X		X		X	
Ohio		X		X		X		X
Pennsylvania	X		X		X			X
Rhode Island		X		X		X		X
South Carolina	X		X		X		X	
Tennessee	X		X		X		X	
Texas	X		X		X		X	

(continued)

TABLE 2.15—Continued

State	Parallel Transfer YES	Parallel Transfer NO	Vocational YES	Vocational NO	Increase Access to Nontraditional Student YES	Increase Access to Nontraditional Student NO	Support for Community Service YES	Support for Community Service NO
Utah	X		X		X			X
Virginia	X		X		X		X	
Washington	X		X		X			X
West Virginia	X		X		X			X
Wisconsin	X		X			X		X
Wyoming	X		X		X		X	
Total No.	23	14	27	10	23	14	15	22

States not reporting data:

Alaska
Connecticut
Hawaii
Iowa
Maine
Massachusetts
Michigan
New Hampshire
North Dakota
Oklahoma
Oregon
South Dakota
Vermont

SECTION III

CASE STUDIES OF STATES

This section is a presentation and discussion of the results of the case studies that outline methods of funding for each state. The data for the case studies were provided by each state director of community colleges. The questionnaire requested copies of laws, procedures, and other published studies relevant to the current financing of the state system. The data for each state are presented in case study format. The case studies were analyzed and matched, when possible, to one of the four original model funding methods—negotiated budget funding, unit rate formula funding, minimum foundation funding, or cost-based program funding. This section is organized by each of these four funding methods. Each subsection reports the original model criteria, the current variations and similarities of states placed in the method as a result of this research, and finally the case studies for each state.

Minimum Foundation Funding

Wattenbarger and Starnes 1975 criteria. This funding pattern funds individual college districts at a variable rate depending on the amount of local tax available at a prescribed minimum millage levy, and/or providing a state guaranteed minimum level of support per student measure. The state guaranteed minimum level of support per student measure must include both state and local funds. The variable rate for allocation of state funds may be expressed as either a set dollar per student measure amount minus the required local millage levy funds, or the approved district budget minus the amount produced by the required minimum local tax levy. This funding pattern is also referred to as equalization funding.

Case study data results. There are *no states* currently meeting the original model criteria or research criteria for the minimum foundation funding pattern. This pattern is a traditional public school funding method and was used extensively in earlier periods to fund community colleges. States requiring local tax millage levies and guaranteeing minimum levels of state support at a specified level still exist in funding practice; however, the research criteria to qualify this procedure as a state level funding method stipulates that this must be the only method or the predominant method in use and there are currently no state case studies to present in this funding pattern.

Negotiated Budget Funding

Wattenbarger and Starnes 1975 Criteria. This funding pattern includes state funding for individual colleges which must be either annually

or biennially negotiated with a state legislature and/or a state board by college representatives. A corollary requirement may be the analysis and approval of each individual college's budget either as single entity or by line item. No local share is included.

Case study data results. The research data indicate that single entity budget or line item approval as a sole criterion for negotiation has evolved into a funding process which is used as one part of the total financing process. The research on current practice demonstrates that negotiation methods remain a strong part of funding patterns but are used in conjunction with a second funding model. Data indicate that the methods used in conjunction with the negotiation type of funding include a newly defined method prevalent among a number of states. This new method defined through this study is the "cost-to-continue-plus" funding pattern. The "plus" is the negotiated segment of the method and is renegotiated with each new funding period.

The three negotiation methods currently used are (a) cost-to-continue-plus, (b) formula-plus, and (c) dual system appropriation/allocation. This last method is characterized by a state using negotiation methods as a basis for appropriations and another method for allocating to colleges or vice versa. Each of the three negotiation type funding methods is discussed in the succeeding sections:

1. *Negotiation—Cost-to-Continue-Plus.*

This variation has emerged in the last three or four years to be a primary new funding process. Cost-to-continue-plus is characterized by selection of an infrequently funded "base" for continuation funding from funding year to funding year. The new "plus" year is negotiated at each new funding year to authorize any increases. This plus negotiated funding may be accomplished through budget approval, lobbying efforts to acquire a favorable position on a "prioritized" needs list or through an increased percentage to be applied to the "base." The base supposedly does not react to short-term enrollment or cost fluctuations. The adjustment to the base may be through a percentage corridor around the base amount.

The funding "base" may be determined through an averaged cost-based program evaluation over a specified period of years. It may be based on enrollments with a rolling year average tied to a unit-rate formula amount for a specified number of years. Whatever the method, the selection of the "base" beginning point is critical and often is arbitrarily set by legislative staffs. The following is a list of states meeting the criteria for negotiation cost-to-continue-plus funding method:

Colorado
Connecticut
Florida
Idaho
Indiana
Kentucky
Rhode Island
Virginia
West Virginia
Wyoming

State respondents to the survey reported these states to have funding procedures which are not enrollment-driven. However, analysis shows that the base may be derived from previous enrollment totals since the historical years serving as the base were most likely funded on an enrollment basis.

Colorado

The data reported for Colorado concerned the 11 state-operated community colleges. Colorado is coping with declining enrollments with the use of a 2.5 year in funded enrollments plus the use of fixed/variable cost approaches to funding. In a case where the decline is caused by state action, there are special provisions which go into place. However, these procedures were not specified.

Future financial problems facing Colorado are overall funding levels, small college issues, local district issues, and revenue deductions.

The state has made a change in funding procedures which focuses less on enrollment levels. The 11 community colleges used for this analysis are controlled and operated by the state of Colorado; there is no local support. (Four other community colleges are partially supported by local funds.) Basically, the state uses a fixed/variable cost study to determine a base for operational funding. It is expected this base will be adjusted every five years or so through the reapplication of the complex process. Representatives of the higher education governing boards will be reviewing the specifics of these new calculations during the next several years, developing budget formulas where there are now none and reviewing existing formulas to see what revisions are needed. But, in the interim years, the budget calculations will be designed to recognize inflation factors and enrollment changes.

The state assigns a maximum FTE for in-state residents and, if exceeded, the institution is penalized by a payback approach. Special purpose items are generally included in the funded base amount and are predetermined in the negotiation request before appropriation. However, the mechanism is flexible and allows the institution to use appropriated funds for special purposes.

Connecticut

Connecticut has a community college system offering Associate of Arts and Associate of Science degrees as well as a system of technical colleges which offer non-transferable programs.

The state has made provisions for enrollment declines by reducing faculty lines based on the three-year enrollment coverage used in the instructional formula. The respondent noted that major problems facing the financing of the system are adequate funding for support staff, deferred maintenance on facilities, and funding for noncredit job training programs.

Funding procedures for Connecticut are based on the most immediate expenditure and cost studies through a formula process. However, it is used only to determine the funding goal and to defend the budget request that goes to the legislature. Based on the expenditures, each college projects the current service budget to operate. Inflation factors are added. Expansion options or needs above the cost-to-continue are requested and negotiated. The faculty line for a college is based on FTE. Connecticut has a 77% part-time enrollment figure.

Allocations are made in a lump sum to the Board of Higher Education and the colleges' allocation is a line item award to the Board of Trustees of each college. This has been negotiated and approved in the early stages of budget projections and submitted.

Florida

Florida establishes a base year allocation calculated by using cost analysis data and a three-year rolling average of enrollment. This is funded with no assumptions for growth or decline. The State Board of Community Colleges determines the "plus" above the base allocation in conjunction with legislative negotiations.

Specifically, the state establishes a base year through the analysis of program costs for instruction and support areas. The cost analysis is based on the most recent cost data. The result is a Base Year Data Matrix which reflects ratios of expenditures to total available funds plus fees.

Each successive year the cost-to-continue or "plus" is determined by assuming there will be no changes in enrollment or workload from the prior year. The State Board of Community Colleges determines increases for each college in eight areas of salary, expense, utilities, equipment replacement, and library resource needs. The Legislature uses the factors suggested by the board or it may develop its own.

In order to adjust for changes in workload, an assigned enrollment base is first determined. Enrollment in excess of 5% received increased funding above that percent for the base amount. There was no other enrollment adjustment; decreases caused no adjustments in funding unless they exceeded the 5% corridor. Facilities operating costs are based on dollars per square foot times the gross square footage.

Funding for new and improved programs is a negotiated process. This process is accomplished through the master planning process with the State Board of Community Colleges and the Postsecondary Education Planning Commission that is responsible for postsecondary master planning, program reviews, as well as the Legislative and State Board of Education initiatives. The process is based on estimating costs and requests for new funds. These new funds are allocated to the colleges as determined by the Legislature and often are categorical in designation.

Student fees for the budgeted year are projected for an estimated enrollment. The amount is subtracted from the total need generated by

adding the base, cost-to-continue, workload, improved and new programs. The remainder is the state general revenue needed to fund the program.

Idaho

Critical problems facing the financing of community colleges, as reported, are the declining percentage of state funds, property tax caps, and the attitude that community colleges are not part of the state system of higher education.

The respondent noted that in 1985 Idaho changed from an enrollment-driven methodology to a "base-plus" concept of funding. A report prepared by the Idaho Legislative Budget Office titled *Junior Colleges in Idaho: A Background Report on Enrollment and Funding Trends* (1985) reported "the state general appropriation is distributed through a formula which divides 75% of the funds equally between the two institutions and the remaining 25% of the funds based on fall enrollment." The formula was an informal agreement between the two presidents and was not reflected in state law or State Board of Education policy. The state liquor tax supplies a portion of funds for community colleges in the form of annual allotment. In addition, 50% of all state liquor funds allocated to the 41 counties without a community college district must be set aside in a county community college fund for payment of a portion of tuition for county residents enrolling in one of the two colleges.

While the state four-year college and universities are statutorily prohibited from charging tuition, community colleges are required by state law to charge tuition. However, both systems charge fees which are used for general education purposes. Part-time students must pay the full annual cost of all elements of providing the courses of instruction.

For 1988 the allocation and distribution procedure remain as a base-plus methodology. The General Assembly established a base amount and guidelines for budget development and allocations above the base amount. Budgets are developed and reviewed cooperatively by each institution.

Indiana

Indiana has only one comprehensive community college, Vincennes University, which is the state's oldest college. A second system of two-year institutions in Indiana is Indiana Vocational Technical Colleges. The data are representative of these two systems.

The state is doing two things for those institutions facing enrollment declines. First, funding is adjusted downward to reflect reduced enrollment. Second, new funding is being recommended for student outreach programs.

According to a publication by the Commission for Higher Education titled *Current Postsecondary Education Funding Procedures in Indiana: A Working Paper*, published April 30, 1984, the state uses a "base-plus"

procedure to fund two-year colleges. Each year a percentage increase is added based on program cost analysis and availability of funds. Adjustments to the "base" are made on actual historical data rather than for anticipated problems. This focuses on the justification for change or increase.

The state appropriation/allocation procedure begins with college level budget preparation and proceeds through review and recommendation processes up to the Commission of Higher Education, the State Budget Agency, and Executive's recommendation to the Legislature. Funding is based on the cost-to-continue programs. The annual budget amount is the negotiated amount appropriated by the Legislature.

Kentucky

Basically, Kentucky allocates on a base-plus percentage increase methodology. The base year of 1983–84 is calculated through a formula. The biennial allocations for continuation above the base are a percentage increment. Allocations above the increment are requested and justified, then prioritized and awarded according to a state-determined priority level. This prioritizing process falls into the negotiation process, as do the cost-to-continue percentages above base. The state respondent refers to the funding process as a formula process; however, it most closely resembles the cost-to-continue or base-plus methods from other states.

Rhode Island

Rhode Island has only one community college. All of the state share contribution comes from general revenue sources. Rhode Island expects no future changes in funding methodology. And currently there is no provision for enrollment declines.

The critical problem area, as reported by that state, is that the governor has limited state appropriation increases for FY 1988 to 4.5% over FY 1987. This does not allow funds for any expanded programs or changes.

The college submits a budget request for appropriation by the legislature. Usually the governor specifies a limit on a percentage increase to be considered for budget approval.

Utah

The state of Utah is not making any provisions for enrollment decline because the projection is for enrollment growth to continue for a number of years. Current critical problem areas in financing community colleges are adequate funding for enrollment growth, equipment, libraries, and faculty salaries. The state takes into consideration the purposes of the community college when planning and implementing funding policies. However, there is no support for community service programs.

Noncredit certificate programs are funded 60% with state support and 40% with student support. Noncredit lifelong learning and recreation/leisure courses are funded 100% through student support.

The respondent describes the funding process as an incremental process. Budget requests are prepared on an incremental budget system with increments for mandatory cost increases, enrollment increases, and cost of operation of new facilities. Comparative cost analysis information is used for highlighting inadequacies. Budget requests are recommended to the state legislature, which uses the same system. Program costs are not used in a formula but are used for general guidelines to show areas where catch-up is needed. The respondent notes that Utah is considering the establishment of formulas.

Virginia

The reported current critical problem facing financing community colleges is that enrollments are expected to grow by approximately 4% this fiscal year. This increase is not financed in current appropriations and must be absorbed into the current level of support. All of the general purposes of the community college are addressed when planning and allocating funds.

The 1984–86 biennium appropriations were based on a "level funding" concept which is similar to the negotiated cost level approach. This was double the 1983–84 annual adjusted appropriation.

Within the fiscal year 1986, restricted purpose grants/appropriations for instructional equipment changed. The state issued long-term debt obligations (bonds) to finance significant replacements of technologically obsolete or worn-out equipment.

The Council of Higher Education is introducing for the 1986–88 biennium a new approach to budgeting for enrollment changes. This approach is based upon the separation of current enrollment and forecasted enrollment growth or decline. Current or base enrollment levels are defined as equal to the estimated 1985–86 enrollments.

Adjustments are made to the base enrollment for anticipated declines in each year of the 1986–88 biennium, resulting in a lower base. Projected growth should be included in the institution's appropriation but held in an "escrow status" until the enrollments have been realized.

Resources associated with enrollment changes should be calculated at a variable rate based upon the standard guidelines. For the 1986–88 biennium, the variable rate for enrollment growth or decline is 50%. This rate should be applied to the resources calculated for the enrollment change. Excluded from the adjustment are the basic staffing components of the library, student services, and institutional support guidelines. Changes in enrollment mix should be incorporated prior to the application of the variable rate.

Institutions experiencing enrollment declines may request improvement in guideline attainment as part of the base enrollment calculation, but not in excess of 100% of guidelines.

West Virginia

West Virginia's planners consider all of the general purposes of the community college in planning and allocating funds except for community service programs. Program costs are not specifically used in the funding process but are reviewed in the allocation decision process at the state board level. The method used by this state most closely follows the negotiated budget methodology. Funding is not directly enrollment-driven. The trends of financing each institution are monitored and necessary adjustments are made in consultation with institutions in the case of enrollment decline or growth. Lack of growth in state support, pressure to raise student fees, and increased administrative flexibility are cited as current problems in financing community colleges.

Wyoming

Wyoming's respondent reports funding is not based on enrollment. The respondent notes that there is no specific current law or language relating to community college finance. The state has an index for increases and the colleges request allocations from a state level Community College Commission based on college needs. The Community College Commission requests funding from the governor, who requests funding from the Legislature. The ultimate decision is in the hands of the legislative body. The state relies on a negotiated funding approach.

There are no categorical or limited use state funds allocated. Funds constitute block grants to colleges. The state reports that program costs are not used in allocating funds to each institution and there are no mandated activities reported.

Wyoming is coping with enrollment declines at some institutions by providing special funds to assist in meeting budgetary demands.

Wyoming takes into account the specific purposes of the community college when planning and implementing funding policies. These purposes are parallel/transfer programs, vocational/technical training, and increasing access to nontraditional students. However, support for continuing education and community service programs is provided for only with indirect cost consideration.

2. Negotiation—Formula-Plus Funding.

This process uses a rate per unit of measure to fund a portion of community college needs and negotiates the additional need requirement. The

difference that sets this method apart is that a "base" year is not established to form a specified level of funding from year to year. Such "bases" usually assume no change in enrollments or cost. Rather, a process is used in this group of states where a formula provides partial funding in response to enrollment or cost fluctuations while the remaining amount is negotiated. Each funding year the formula is applied in conjunction with negotiation processes to fund the community college system. The following states use this method:

Arkansas	South Carolina
Nevada	Oregon

Arkansas

This state is proposing a change in procedures. As reported, the proposal contains the following elements. Institutions employ formulas as guidelines for preparing a large portion of their appropriation requests for operating funds. The formulas include cost analysis for 12 expenditure categories, equipment replacement, and improvement funds for student advising. However, institutional requests need not be limited to formula-generated amounts. Each institution may request additional funds for special programs or needs. In addition to the formula factors, each institution develops appropriation requests based upon the unique institutional cost projections and justifications in other areas. These areas include off-campus instruction, noncredit instruction, museums and galleries, organized activities related to educational departments, institutional development funds plus mandatory and nonmandatory transfers.

The formulas are generally calculated by using FTE as a measurement and by applying as a rate an established average amount from a base year plus a percentage for inflation.

Libraries are funded with a minimum base amount related to enrollment proposed by the Association for College and Research Libraries. In addition, the formula allocates library funds for each FTE student over the enrollment level.

Student services funding is calculated by multiplying the mean of annual FTE enrollment and headcount enrollment for each year by a cost rate which varies for level of enrollment. The use of the mean enrollment reflects student service cost requirements for part-time students. To reflect economy of scale the rate decreases as the number of students increases.

Utilities funding reflects efforts for conservation. It requires reducing the consumption per square foot by a certain percent from a base year and funding that level according to the institution's projected cost per square foot. Conservation percentages decrease over the years up to the 1988–89 year. Institutional support, including administrative costs, is based on a percentage of total unrestricted educational and general expenditures less mandatory and nonmandatory transfers.

The respondent notes that declining enrollments and funding for deferred maintenance are critical problems facing system financing. Community colleges do not participate in the state capital fund.

Nevada

The current funding formula was adopted in 1969, reaffirmed in 1975 and exists today with minor changes.

Community colleges in Nevada are funded through the University of Nevada System. The system is divided into a number of appropriation areas, with each community college a separate appropriation area. Each of these colleges is broken down into functional areas for the purpose of budget allocation. These functional areas are instruction, academic support, institutional support, student services and operation, plus plant maintenance. However, the 1985 funding formula determines the support only for the instructional function. Funding for the remainder of the major functional areas, not funded by the formula, is negotiated separately each biennium.

For community colleges funding, the projected FTE enrollment is divided by the student/faculty ratio according to individual program areas. Next, the number of "core positions" is determined. "Core positions" represent the FT faculty necessary to support specific programs regardless of the number of students participating in the program. The core position component was initiated during the 1981–83 biennium and the number of core positions at each campus is negotiated between the university system and the legislature. After the "core positions" are subtracted from the total faculty positions authorized, the remaining faculty are distributed in a ratio of 45% FT and 55% PT at Clark County Community College, Truckee Meadows, and Western Nevada Community College. At Northern Nevada Community College, faculty are distributed on a ratio of 54% FT and 46% PT with no core positions authorized.

The state of Nevada uses a combination of unit-rate formulas to determine instructional funding with negotiated budget to determine the "core positions" used in the faculty ratio part of the formula and to determine the level of funding for each campus for the other major funding areas.

In the 1985–87 biennium, the faculty/student ratio approved by the legislature decreased from the 1983–85 biennium level of 25:1 to approximately 21:1 for the two largest community colleges. This decrease affects the formula funding level for this current funding biennium. Nevada reported no changes are expected in the future for either state support or local support for community college funding.

The state does not directly consider program costs in funding methodology. However, a component of negotiated budget funding approach traditionally uses program costs to justify requests for funding amounts. The state respondent reports no categorical or limited use funding.

No formal policy or statute directives pertaining to special funding

for colleges experiencing enrollment declines are reported by Nevada. However, an informal practice exists, according to the survey respondent, where state budget/legislature actions will not reduce existing full-time faculty for at least one biennial period.

The only critical problem reported by Nevada is administrative support staffing. There was no discussion of the type of problem, but academic support for deans, etc., is a negotiated item. Institutional support, which includes business offices, general executive and administrative offices, campus police, etc., is also a negotiated item.

Oregon

Appropriations are requested from the legislature based on estimated cost, FTE enrollment, and new program plans. The legislature sets an approved line item amount per institution. Allocation is based on a formula with a variable rate per FTE based on each institution's enrollment grouped by size. Costs are not a formal part of the funding process, although the consumer price index is considered when funding line items. Oregon sets a cap on the line item for state-aid contribution.

The 1987 legislative session has changed the funding procedure. For the 1987–89 biennium, they have put aside a set amount for each year of the biennium. The Department of Education and/or State Board of Education will decide on the amount per college based on their previous year's realized reimbursable FTE.

South Carolina

There have been no changes in funding methodology since 1984. Some tax rates and tuition rate changes have occurred, but the methods for support have remained the same. The state appropriation source is generated 100% from general revenue. No changes are expected in the future, nor is there any discussion on changing to a nonenrollment-driven methodology.

South Carolina uses a unit rate formula procedure plus special requests for needs not funded through the formula. The state makes allowances for differing sizes of institutions according to FTE enrollments. Local funds support plant maintenance and operations except for two technical colleges which are supported by state funds. Unique costs which are not met by the formula funding methods can be requested and are scrutinized by subjective analysis and judgment.

3. *Negotiation—Dual System Appropriation-Allocation.*

This type is placed in the negotiation method because either the state system appropriates funds through negotiated methods and allocates funds to colleges by formula or vice versa. A frequently associated premise of

the negotiation method noted in the literature is that negotiated methods increase the likelihood of politically influenced funding environments. Subjectivity and personal reputations, charisma, and institutional reputations often influence this type of funding. Proponents of formula funding praise the objectivity of that method. States using both have an interesting combination that may warrant future research. While there are only three of these states, the phenomenon was important to report. Table 3.1 lists these states along with the method used for appropriation and allocation.

TABLE 3.1
NEGOTIATION DUAL SYSTEM APPROPRIATION-ALLOCATION

State	Appropriation	Allocation
Georgia	unit rate formula	negotiation
Mississippi	negotiation	unit rate formula
Washington	negotiated cost-to-continue	cost-driven formula

Georgia

Enrollment decline is the critical problem in financing community colleges in Georgia. There are no categorical funds or state mandated programs. Noncredit courses are funded 100% by the student.

Georgia appropriations are made by formula to the Georgia Board of Regents. The Board of Regents, in turn, allocates to the colleges according to requested and justified budgeted amounts and needs. Program costs are not analyzed or used in the allocation process according to data provided.

Mississippi

The amount of state appropriation is negotiated by the state board with the legislature, considering such factors as enrollments, personnel, expanded and new programs, general cost indices, and salary levels. The appropriation is not enrollment driven, although the distribution of funds by the state board to the districts is enrollment based. The state mandates and supports specific and specialized educational programs as statewide educational responsibilities of the community colleges. These are primary in adult basic education, vocational/technical programs, and nursing associate degree programs as specified by law. These categorical funds comprise 14% of state funds available to the community colleges.

Critical problems facing the state as reported are in-year budget reductions by the state for four of the last five years, reduction in state support

for FY 1987 by 14%, local tax support not increasing proportionately to state support or to total revenues, and no provision for differential program cost.

Washington

Washington has not changed financing methodology since 1984, nor is the state anticipating any major changes in the future.

Washington supports the community college purposes of parallel/transfer programs, vocational training, increased access to nontraditional students, when planning and implementing funding policies. Critical problems facing the state, as reported, are faculty salaries, equipment, plant maintenance, and student assessment.

The respondent data note the legislature and the governor's office have abandoned formulas as a means of funding higher education institutions. The current amount needed to carry forward services is determined. If revenues are projected to equal or exceed this amount then the current base is funded. Funds above this are justified on a need basis.

However, after funds are appropriated to a state board, the state board allocates to the district through a cost-driven formula. Core staffing is negotiated adequately to fund a basic program at each college and to take into account economies of scale. Fixed and variable costs are allowed for in the funding process.

This dual system is cost-driven but the increases and unique needs are negotiated.

Formula Funding

Wattenbarger and Starnes model criteria. This method allocates funds to colleges on the basis of a simple formula specifying a stated number of dollars per unit of measure. The units of measure in the formula may be units of instruction, enrollment, output and/or a combination of these. A minimum local tax effort may or may not be required.

Case study data results. The data from the case studies indicate that the simple unit-rate formula method has evolved into three variations. The first is the unit-rate formula method where a few states continue to fund primarily via a flat rate per unit of measure consistent with the original model criteria. However, the rate may now be tied to variable rates reflecting institutional size in order to reflect economies of scale.

The second method variation in formula funding is the formula-grant method. This method provides a grant base plus formula funding. These states will be listed with the discussion of the method in the next subsection. The third method of formula type funding is cost-based funding. The states supporting this method and the premise are also discussed in a succeeding subsection.

1. *Unit Rate Formula Funding.*

The unit-rate formula method is used by a few states who fund community colleges via a flat rate per unit of measure. However, the rate may be tied to variable rates reflecting institutional size in order to reflect economies of scale.

The states using unit-rate formula funding are:

Arizona
California
Kansas
Louisiana
New Mexico
State University of New York
North Carolina

Arizona

Arizona uses a formula allocation/appropriation process which is the basic unit-rate formula procedure. However, the rates vary with the enrollment size ranges of the institution. The larger rate goes to the enrollment size of 2,500 or less FTE. The occupational programs are also funded at a rate per FTE. However, they are funded at a greater rate. The rate per FTE for occupational programs does not vary according to the type of program. No cost studies are used for appropriation/allocation procedures.

California

It was noted that the current funding formula does not take into account the traditional workload measures for instructional and student services of the community college when planning and implementing funding policies.

Of total state funds, 6.41% are categorical funds for Educational Opportunity Program and Services, Handicapped Student Program and Services, English as a Second Language, and Apprenticeship instruction.

Each district is dependent on the funding of generated average daily attendance (ADA). The calculation of available general revenue starts with the district's prior year's revenues from state appropriations, local property taxes, and student fees, subtracts revenue as a result of prior year decline in ADA, adds COLA funds computed on base credit and noncredit ADA, adds equalization funds, adds ADA growth funds computed at a marginal rate, subtracts property tax and enrollment fees to get the state general apportionment share.

The state has provided funds in 1985–86 and 1986–87 to districts to stabilize their budget because of declining enrollment. This funding resulted in spreading out revenue reductions because of declining ADA over a three-year period instead of immediate reduction.

Program base funding is presently being studied. Workload for instructional and student services is anticipated to be measured by FTE contact hours and enrollment. Workload for facilities operations and maintenance is anticipated to be measured on assignable square footage.

Kansas

Kansas appropriates and allocates on a unit-rate per measure. There is a credit hour rate per student for credit hour state aid and an additional formula which allocates general state aid from a formula based on median per-student property tax valuation and median college size valuation. This state has a close resemblance to the deleted minimum foundation plan. However, it differs because there is no attempt to equalize or guarantee a minimum level of funding across the state. Local taxes serve the purpose of increasing funds.

The respondent reports the current critical problem in financing community college systems is a lack of state revenues. The state does not consider any of the general purposes of the community college when planning or implementing funding policies. The state is making no provisions for institutions facing enrollment declines.

Louisiana

Louisiana's respondent reports no changes in funding methodology since 1984. Louisiana has four two-year educational institutions. Only one institution, Delgado, is considered a community college. The data in this report are based on information received from Delgado contained in the 1986–87 operating budget. Delgado is an urban college in New Orleans and it is estimated that less than 10% of the students come from out-of-district. Noncredit courses are 100% funded from student support. There are no categorical funds and no state mandated programs.

The state makes provision for enrollment declines by providing a formula policy which maintains funding at the same amount as in the previous year. However, due to severe state economic problems formula funding has been reduced each of the last two years by mid-year budget cuts.

The critical problem, as reported in Louisiana, is the shrinking revenue base. The system does not take into account the traditional purposes of the community college as specified on the survey.

The respondent does report that the state currently allocates funds to institutions on a formula basis which is partially enrollment driven with other funds being derived from estimated costs for utilities and operation and maintenance functions. Currently about 80% of the funding formula is enrollment driven.

New Mexico

The colleges are funded on a complex formula process which is adjusted for increases or decreases in prior year projected enrollment that includes size factors, and accommodates cost factors. The major thrust is an enrollment-driven formula process with a reliance on FTE units of measure.

The formula generates an expenditure level for instruction based on enrollments in various programs during the previous academic year. Expenditures are provided at a fixed amount for the average student credit hours produced by each institution in the preceding three academic years. Provisions are made for the size of the institution, the level of instruction, the relative cost of disciplines, and summer instruction.

Student services, if funded through a base level of expenditures, for small institutions and additional staff and costs are added for additional 150 headcount students. Support functions are based on percentages of expenditures. Utilities are funded on a basis of actual historical expenditures.

The total state appropriation is developed each year through an omnibus appropriations bill. In general, the Legislature tends to set a revenue figure first and then adjust expenditure levels to fit. The amount for salary increases is usually the balancing item in the process.

State University of New York

The State University System of New York (SUNY) operates Monroe Community College and 28 other community colleges in New York. The City University System of New York (CUNY) operates six community colleges and one technical public college.

The respondent notes there have been changes in funding methodology since 1984 in general purpose grants and restricted appropriations, funding formulas and tuition and fees. Additionally, the respondent noted a change is expected in the future in all of the same areas.

Currently, of state funds, 40% are reported as categorical funds supporting both credit and noncredit areas. However, lifelong learning noncredit and recreation/leisure noncredit are 100% student supported.

Current funding uses a state aid formula which allows a college to use the greater of either a calculated FTE (20-30-50% of past three years enrollment, respectively) or previous year's actual FTE to calculate FTE. SUNY has committed to providing 40% of net operating costs. However, one of the problems of financing in this system is that the 40% has not been achieved.

As with many other systems, this one is faced with the problem of financing higher costs in technical programs for equipment and instruction. The current formula does not include program costs in finance plans.

North Carolina

The state relies on a specified amount per FTE in a formula budget methodology. The state does not take into account program costs when allocating funds to institutions. A reserve is requested from the General Assembly by the State Board of Community Colleges for special allocations/ contingency purposes.

Formula distribution of funds for the operating budget is based on actual Fall, Winter, and projected Spring FTE enrollments. If the Spring projected FTE is not met, then reductions in funding occur the following Fall. Funds are distributed on a pro rata basis if the General Assembly fails to allocate FTE funds to fund fully the FTE.

2. *Formula Grant Plus Funding.*

This procedure uses a basic grant and a formula to appropriate/allocate funds above the grant. The grant may be based on a uniform amount for each institution, or may be based on a variable amount grant, depending on the size ranges of institutions. The states using this methodology are the following:

Alabama
Michigan
Illinois
Maryland
Nebraska

Alabama

Alabama reports program costs are analyzed and used in allocating funds and they have no categorical funds or mandated programs.

Noncredit certificate courses, noncredit lifelong learning courses, and recreation/leisure courses are funded 100% by students.

The respondent reports that since 1984 there have been methodology changes in restricted purpose grants/appropriations, funding formulas, and tuition and fees. While the methodology did not change for general purpose grants/appropriations or the tax rates, the respondent noted that Alabama ended FY 1985–86 with a 4.21% proration. Projected for 1986–87 is a 5% proration.

Alabama funds each college with a uniform basic grant. In addition, nursing and allied health programs are funded with a cost-based formula. The remainder of the appropriated funds is allocated through the use of a unit-rate formula using credit hours attempted for three terms as the unit of measure.

Alabama considers all the major purposes when planning and implementing funding programs. Lack of a stable funding base and proration are listed as critical problems facing the state. The state has no plans to change its current funding methodology.

Michigan

Michigan does not collect or analyze "program" costs in terms of degree or certificate programs. Costs are collected through the Activities Classification Structure which looks at activities versus programs. The activities are clustered in 34 instructional activities by common disciplines or instructional intent.

A formula is used to determine state aid for community colleges. The formula for general fund instructional activities is based on contact hours. The base year for funding 1986–87 fiscal year is based on 1984 enrollment. Student services funds are based on a rate per student headcount rather than contact hour or credit hour or FTE enrollments. Administrative costs are funded on fiscal year equated student enrollment according to a percentage based on size of college enrollment. The state appropriations also have an equalization factor for district tax variability. In 1985, the state enacted special grant funds for energy conservation and education purposes. There is a minimum amount allotted for each institution.

In addition to the above, the formula includes a minimum funding level regardless of enrollment decreases.

Critical problems related to financing community colleges are cited as (a) increasing state aid base to hold down student tuition, (b) flexibility for the local board to generate local revenues for operation and capital, and (c) flexible dollars for new initiatives.

Illinois

The critical problem facing the state in financing community colleges is the declining farmland values which have reduced the local tax base of the colleges.

The Illinois appropriation process begins with the submission of a fiscal year system operating budget request by the Illinois Board of Community Colleges to the Illinois Board of Higher Education. The community college request is evaluated along with other requests for higher education by the Illinois Board of Higher Education. Legislation requesting state funding for the community college system is introduced in the state legislature based on the Illinois Board of Higher Education proposal. Next, the governor presents a proposed state budget. If the governor's budget proposal differs from the original proposal from the Board of Higher Education, the board distributes the governor's budget across the community college system. It is then up to the Legislature to appropriate funds and authorize fund distribution according to a procedure that is in line with the appropriation. The process is completed after the governor signs the appropriation and spending authorization bills are passed by the Legislature.

Specifically, the procedures for the community college state appropriation are equal to an estimate of funds needed, less an estimate of funds available to the community college system from other sources. The Illinois procedures distribute appropriations through five grant programs. The five are credit hour grants which comprise 75.5% of funds to the system in the 1987 budget, equalization grants comprising 17.2%, disadvantaged student grants contributing 2%, and advanced technology and equipment grants comprising 1.3% of the 1987 appropriations.

The estimate of funds needed by the system is determined by adjusting the most recent FY actual expenditures based on program cost analysis,

for anticipated cost increases. The Legislature determines the decision rules for weighted cost increases. The average cost to produce a credit hour in the previous year is multiplied by a two-year inflation factor to yield an estimate of cost to produce a credit hour in the next year. That amount is multiplied by the prior year's total credit hours yielding an estimate of total instructional costs for the next year. To this is added public service cost estimates and new funds requested for the year being funded.

The credit hour grants are paid for each of the system's seven instructional categories. The credit hour rate for each category is determined by calculating the unit cost of the category and subtracting the system's other available resources from the projected unit cost in each instructional category.

Equalization grants attempt to reduce the disparity in local funds available per student among districts. Local property tax revenues, corporate personal property replacement tax revenues, fixed costs, and each district's instructional program mix are considered in the calculations.

Illinois uses a combination of program analysis, negotiation, and minimum foundation. Allocation methods for restricted purpose grants have been proposed to change in FY 1988. Increases in the disadvantaged student grant will be targeted for minority students and allocated according to the percent of minority students served. The basic allocation of the FY 1988 economic development grant has been proposed to include a graduated allocation based on the size of the district rather than a flat amount to all districts regardless of size. A proposal is being considered to provide Illinois community colleges with a permissive tax levy authority in an attempt to resolve inequities in the district's local tax support per student.

Maryland

Maryland takes special consideration in funding policies for increasing access to part-time students and community service programs, excluding recreation programs.

Noncredit courses are supported 33 1/3% by the state, 33 1/3% locally, and 33 1/3% by student support for both certificate programs and lifelong learning courses. The two areas funded must meet state eligibility criteria for state support. Noncredit courses are reviewed on an individual course basis. State support for noncredit courses statewide averages one-third of total cost.

The state has proposed changes in its funding formula and appropriation methods for 1988. Currently, the formula is enrollment driven and is highly sensitive to fluctuations in enrollment. As stated in a report published by the Committee on the Future of Maryland Community Colleges in *Blueprint for Quality*, "the formula should be less sensitive to swings in enrollment, adjusted annually for increasing costs, permit the offering of some high-cost vocational programs, maintain the existing governance structure, provide all residents regardless of place of residence

the opportunity to receive a quality education, be simple to manage, recognize economies of scale, maintain access by assuring reasonable tuition and fees, and be widely accepted" (p. 73).

The three components of the proposed state funding method are a large flat grant that is currently provided to recognize fixed operating costs, a smaller amount per FTE than is currently provided, and an adjustment to the flat grant to provide supplemental funding to subdivisions with comparatively low local wealth which serve large numbers of low income students.

The proposed flat grant would provide from 55% to 75% of the state aid funds with the smallest colleges receiving the highest percentages. A range of flat-grant percentages is proposed to recognize the economies of scale of large colleges. While these ranges are sensitive to enrollment variations, the funds are not tied directly to FTE, and therefore, colleges could continue quality programs with moderate FTE declines.

However, in recognition that part of a college's costs are enrollment driven, an amount per FTE would continue to be provided by the state. All colleges would receive the same amount per FTE since variations in economies of scale would be accounted for in the flat-grant award. The variable costs of the college would be funded through the FTE award component. This moves the state from a strict average cost method to a partial marginal cost method.

The third component of the formula would provide additional funding for colleges that have comparatively less wealth and serve a high proportion of low income students. The flat-grant percentages, for those colleges qualifying, would be increased.

The present formula does not provide for an automatic annual adjustment. Therefore, the state proposes that annual formula increases be tied to the percentage increases received by public four-year institutions in the state. Every five years the state would evaluate each institution's flat-grant percentage and supplemental adjustment.

Critical financing problems facing the state are outlined in the report *Blueprint for Quality* discussed earlier in this section. One is the current enrollment-driven formula which is highly sensitive to FTE fluctuations. Secondly, the use of current average costs rather than the use of a marginal costs basis is creating a quality decline. Accessibility for students is decreasing because tuition is increasing due to lack of increasing state aid.

Nebraska

A base allocation provision plus a weighted enrollment drawn formula is used by Nebraska to fund the six community college areas. Of state aid, 58% is appropriated equally as a base, providing an area has a minimum specified enrollment. If not all colleges reach the minimum, then the base is divided proportionately according to the weighted enrollment equal to or less than the minimum specified. The remaining 42% is divided

proportionately based on the weighted enrollment over the minimum amount. A cost study is used to determine the placement of courses into the appropriate areas for weighted enrollment calculations.

Based on a consultant's study in 1985, the system is considering fixed, semi-variable, and variable costs for incorporation in the formula.

3. *Formula Cost-Based Funding*

Wattenbarger and Starnes model criteria. The allocation of state funds on the basis of multiple cost centers, detailed instructional discipline categories, program function, and/or budgeted object of expenditure is considered to be cost-based program funding. Cost studies at either the state level, the college level, or both levels may be an integral part of the funding process as an implied separate activity. These concepts are implicit in the funding method, (a) funding related to actual costs and (b) costs varying due to program and other institutional factors.

Case study data results. The criteria remain basically unchanged from the model criteria. Fixed and variable cost funding is observed in practice by states more often than in prior years. Formulas with cost factors, or percentage awards, or award of fixed costs and variable costs based on actual expenditures are all methods used by states to appropriate/allocate funds. States using formula cost-based funding are the following:

Iowa	Oklahoma
Missouri	Pennsylvania
Montana	Tennessee
New Jersey	Texas
Ohio	Wisconsin

Iowa

Iowa has adopted a new foundation formula beginning the 1987–88 fiscal year. Therefore, there was little change in methodology for 1985–86 except to add some increases to begin the transition to the new foundation formula methodology. The new foundation formula is an enrollment-driven formula based on the enrollment unit of a contact hour. The formula has five cost centers for instructional programs and four indirect functions. The five cost centers for instructional programs are arts and sciences, preparatory career, supplementary career, adult basic education/high school completion, and continuing and general education. The four indirect functions are general institution, student services, physical facilities, and library.

The foundation formula provides foundation support for general fund expenditures that are equivalent to a foundation level of 65% from state and local funds, exclusive of capital outlay costs.

The foundation formula is driven by enrollment that is based on a three-year rolling average of contact hours eligible for state aid. The

allowable cost per contact hour in each of the instructional cost centers is multiplied by the three-year rolling average to determine the amount of support. The general institution function is funded at 13.96% of the general operating fund expenditures for the prior year. The student services function is funded by multiplying contact hours eligible for state aid by the state average cost of student services. The plant facilities function is supported by multiplying the square feet and cubic feet of physical facilities by the state average cost for plant maintenance and utilities. The library function is supported at 3.33% of the total state support for the five instructional cost centers and the three other indirect functions.

An adjustment is made for small area colleges with budgets of less than $1,000,000 by providing a foundation level of 70% for these institutions.

Each year the foundation support level is adjusted for the allowable growth which provides an adjustment for the cost of inflation.

During the 1986–87 fiscal year an amount of $100,000 was set aside to the School Budget Review Committee for allocation to area colleges that experienced fiscal difficulties.

Currently, the critical problems facing the state system in finance are a continuation of full funding of the foundation formula and an appropriate transition procedure for area colleges that are not scheduled to receive increases in state appropriations from the foundation formula.

Missouri

State law specifies community colleges may receive appropriated funds up to but not more than 50% of the state average operating cost per credit hour as approved by the Department of Higher Education. The average operating cost per credit hour is determined by dividing the total operating cost for all districts receiving state funds by the total number of credit hours produced by the districts. Funding is based on credit hours of the most recently completed academic year. Operating costs are estimated by using actual expenditures from the most recently completed year. These are adjusted to reflect changes and projected costs for the new funding period.

Montana

Montana has experienced changes since 1984 in the areas of state support in general purpose grants/appropriations and funding formulas. In local support, since 1984, tax rates have changed. They are making no provisions for institutions with enrollment declines.

A unit rate formula is used to allocate funds to the institutions. The funding formula first projects fiscal year FTE students and multiplies this by a cost factor (rate) to obtain the unrestricted budget. The state share is determined by the legislature in the form of a percentage. This state

percentage share is multiplied by the unrestricted budget to determine the state appropriation. The local share is comprised of student tuition, other restricted funds, and a mandatory state levy. The mandatory levy procedure is determined by statute as the difference between the total unrestricted budget and the state general fund appropriation plus all other revenue source amounts. If the community college trustees want to expand their budget beyond the formula they can ask the voters of their district to approve an additional levy. For FY 1987 the state ratio is 49% and the local ratio is 51%.

A current problem cited in financing community colleges is revenue shortfall in state taxes has produced deductions in state funds for all state agencies.

New Jersey

New Jersey uses a cost-based differential funding method plus categorical funding to finance public community colleges. Of the total appropriation allocated, 91% is allocated on the basis of relative program cost, and 9% for categorically funded areas. The change to differential funding from a flat full-time equivalent (FTE) computation increased state aid for high enrollment colleges as well as for colleges offering high cost programs. Differential funding was instituted to recognize the extraordinary cost of remedial and highly technical courses. The categorical funding, according to the state funding theory, provides a base level of support for the colleges as well as additional funds for program development in certain key areas.

Additional non-formula categorical support is provided on a competitive basis in an excellence challenge program. The challenge program funds are directed to three high priority areas including minority and disadvantaged initiatives, programs with secondary schools, and technology programs.

The state also participates in capital funding through a $160 million revolving capital program. The state and local counties share equally ($80 million each) in the program. The local counties issue bonds for the total project costs, and the state pays 50% of the debt service according to the bond maturity schedule. Capital projects must be reviewed by the Department of Higher Education and approved by the New Jersey Board of Higher Education.

Oklahoma

Oklahoma appropriates and allocates funds through a formula with differential funding based on averaged costs of programs across the state. The Board of Regents submits a needs document to the legislature which in turn, appropriates funds to the board. The board allocates funds to the

colleges on the basis of statewide rate per FTE based on the average costs for like programs.

The respondent noted that in 1986–87 there was a 17% reduction in appropriated funds to the system.

Ohio

Ohio's funding methodology is approximately 75% enrollment driven. However, the process takes into account fixed and variable costs, allowance for enrollment decline through the use of lag-time funding, and headcount funding for student services. The core of both the appropriation and allocation procedure depends on a series of program expenditure models for instructional areas. From the actual expenditure "base" models, enrollment is projected into the future and adjusted for expected changes.

Enrollment decline is managed by providing a "base" FTE for each institution. If the institution's FTE falls below the "base," lag-time funding is used and funding is determined by award of the actual FTE plus the difference between the actual and the established base FTE.

The current problem facing community colleges is offering more non-credit courses and courses that are specific to a short-term project, which are not funded by the state.

Pennsylvania

The state of Pennsylvania generates 100% of state appropriations from general revenue. Pennsylvania state law specifies two-thirds of the annual operating costs are to be supplied by the local sponsor. The state share for operational funds and capital funds is included in one appropriation. The operating allocation of the community colleges appropriation is determined by state law to a large extent. Colleges are reimbursed either one-third of their operating costs or the colleges' estimated full-time equivalent students times the current reimbursement rate of $800, whichever is less. In addition, a bonus is paid based on the number of vocational students which varies for types. The capital allocation is based on need.

State residents are funded 1/3 state, 1/3 local, and 1/3 student tuition. Tuition for non-state residents is three times the resident tuition providing total support for non-state residents.

The state reports no categorical funding and no state mandated programs. There appear to be no plans to fund on bases other than FTE enrollment-driven formulas. There is an effort to take into consideration the general purposes of the community college when implementing and planning state funding policies. The one exception to funding support is community service programs.

The critical problem reported was a need for additional funding for operations. A proposed increase in the state reimbursement amounts per FTE was not approved by the 1987 session of the Legislature. Instead, the

Legislature approved a separate appropriation of $2,000,000 for community colleges enhancement. The appropriation will be prorated among the 14 community colleges according to the number of FTEs at each college.

Tennessee

Tennessee uses a cost-based program funding approach distributed through a formula. The formula generates expenditure requirements for the 10 community colleges, while revenues are projected from each source other than state appropriations. Revenues from areas such as tuition and interest income are subtracted from expenditures, and the difference comprises the request for state appropriations. These two parts of the current formula, expenditures and revenues, relate only to unrestricted education and general monies. In addition, the state has four technical two-year institutions which are not included. However, they are funded through the same mechanism.

Texas

Texas's system of higher education encompasses 49 public community junior college districts with 60 campuses, one public technical institute with four campuses, and three private junior colleges.

Texas reports there are no special provisions for colleges that are experiencing enrollment decline. However, the state funding procedures provide a hedge for a short period of time. The critical problem facing financing community colleges, as reported, is the unprecedented state deficit.

The biennial appropriation for Texas is based on a combination of unit rate formula award per contact hour. The rate is adopted through a detailed program cost analysis for each community college and calculation of a median rate per program area plus the addition of an inflation percentage. The adopted rate is then multiplied by the "base period" actual contact hours in the program areas, which becomes the next biennium maximum funding amount. Appropriations and community college allocations are based on this adopted rate times actual contact hours reported during the biennium.

The process works in the following manner:

1. Cost studies are calculated for each community college cost per contact hour for faculty salaries, department operating expense, allocated costs;

2. Next, median costs are calculated for faculty salaries and department operating expenses in 18 areas for general academic programs and 40 technical-vocational programs;

3. An allocated cost is derived from median cost per contact hour for all community colleges for general administrative and student services, general institutional expenses, staff benefits, and library with a differential between technical-vocational programs and general academic programs for instructional administrative and organized activities;

4. An inflation factor is added to cost base each biennium since contact hour cost is based on recently completed FY. The inflation factor is compounded annually for each of four years to and in the next biennium;

5. Formula product amounts are calculated by multiplying the adopted rates for each year of the biennium by the contact hours produced in the "base period." The base period is the academic year ending in the spring of odd-numbered years when Legislature is in session. For example, the rates for 1987–88 year are based on cost survey conducted for 1984–85;

6. When available funds are less than the amount requested, the Legislature applies a percentage factor to the total request to arrive at actual appropriation; and

7. Funds are distributed to institutions according to formula.

Wisconsin Vocational Technical System

Wisconsin reports funding is implemented through a cost-driven formula "equalized" by property valuation per FTE. Additional funds are allocated on a categorical basis and requested by the institution. Approximately 1% of total state funds are categorical. These funds cover such programs as displaced homemaker, fire service, instructor competency, and driver education. The source for state appropriation is 99.7% general revenue and 0.3% from chauffeur license.

The state respondent does not report any mandated activities. The state does not expect any funding changes nor have there been funding methodology changes since 1984 except in the area of restricted purpose grants/appropriations. The state is making no special provisions for institutions experiencing enrollment declines.

The current critical problem, as reported, is the limit of 1.5 mills on property taxes for operational purposes. This restricts growth funding.

Wisconsin reports that the state takes the purposes of the community college in consideration in implementing funding in the areas of parallel/transfer programs and vocational training.

Summary

Negotiated Budget Funding in the original model continues as a strong partial premise for current practices. There are two variations within the negotiation category. The first variation is found in states that fund from year to year on a slowly adjusting "base" with the budgeted year increases being negotiated. These states use what is called negotiation type cost-to-continue-plus funding. The premise is that the base or core is protected from year to year and provides for a more stable, quality-protected funding process. The base is calculated in several different ways depending on the state history, but the new budget increases or special requests are negotiated and are determined jointly with either the Legislature or state board.

The second variation in the negotiated funding method is found in those states using formula-plus funding. These states provide a specified funding level of funding through a formula, and funds available over the formula are negotiated or justified on a need basis. Four states fit this category. However, the variation is important to note. Historically, the widely used method of formula funding was popular because it neutralized the problems of negotiating funding which were perceived to be associated with a politically motivated funding environment. Current practice data indicate that there is an increasing return to the use of negotiation processes used in conjunction with other method variations.

A third interesting variation is occurring in the negotiation area. That is the phenomenon found in three states using combinations of negotiation and formula variations to appropriate legislatively with one method and allocate with the other or vice versa. This dual system of appropriation and allocation is included in negotiation processes because of the increased occurrence of negotiation and because the literature charges negotiated funding as being political, increasing favoritism in funding special requests, and unequal funding across systems.

The second major category type is formula funding in conjunction with other methods. Formula funding now includes states which combine formula and grant funding. Some states, in an effort to neutralize declining enrollments, fund the high costs for some programs, account for economies of scale, and account for fixed and variable costs states have selected to provide partial funding through a grant to colleges and then distribute the remainder through some type of formula. This may be a holdover of the concept of guaranteeing a minimum level of quality support. A second process under formula funding is cost-based formula funding. This process reflects formula allocations based on cost studies. Frequently these cost studies derive a state system average of differential funding and apply this through a formula to the college.

In summary, there are six major variations which have been identified from the analysis of data. First is the combination of negotiation and cost-to-continue-plus funding, the second is negotiation and formula-plus funding, the third is a dual system involving negotiation, the fourth is a unit rate formula, the fifth a formula-grant, and the sixth is cost-based formula funding.

Table 3.2 displays the six funding categories discussed in this section.

Based on these research data the Wattenbarger and Starnes taxonomy is no longer descriptive of the methods used by the states to fund public community colleges. Since no state currently funds in a manner consistent with the original model criteria, research variations were analyzed for commonalities to determine an emergent pattern of funding reflective of the 1987 practices. The emerging data support two major approaches with six combinations of methods used under the umbrella of the two approaches. The two approaches are (a) negotiation funding and (b) formula funding. Negotiation type has three funding methods which include

TABLE 3.2
SUMMARY TABLE OF FUNDING METHODS

Negotiation			Formula		
Cost-to-Continue-Plus	Formula-Plus	Dual System	Unit-Rate	Grant-Plus	Cost-Based
Colorado	Arkansas	Georgia	Arizona	Alabama	Iowa
Connecticut	Nevada	Mississippi	California	Illinois	Missouri
Florida	Oregon	Washington	Kansas	Maryland	Montana
Idaho	South Carolina		Louisiana	Michigan	New Jersey
Indiana			New Mexico	Nebraska	Ohio
Kentucky			New York		Oklahoma
Rhode Island			North Carolina		Pennsylvania
Virginia					Tennessee
West Virginia					Texas
Wyoming					Wisconsin

Missing 11 States: Alaska, Delaware, Hawaii, Maine, Massachusetts, Minnesota, New Hampshire, North Dakota, South Dakota, Utah, Vermont

negotiation processes as a major part of the financial allocation patterns. Negotiation consists of (a) cost-to-continue-plus, (b) formula-plus, and (c) dual system appropriation/allocation. Formula types of finance patterns include three funding methods: (a) unit-rate formula, (b) formula-grant, and (c) cost-based formula. Therefore, there are currently six major funding methods which reflect current statewide funding practices in the United States for public community/technical colleges.

SECTION IV

CRITERIA FOR FINANCING COMMUNITY COLLEGES

Based on the data analysis, the following revised criteria are suggested as appropriate to use to evaluate and construct state finance methodologies for community colleges.

1. The plan should recognize the state leaders as responsible for developing a plan for the total financial support of public community colleges.

2. The state should provide primary support for community colleges with supplements from tuition and fees, federal funds, and in some cases, local sources.

3. Student tuition and fees should be kept as low as possible (not to exceed 33% of total operational costs).

4. The plan should recognize the need to maintain sensitivity to local needs in planning, programming, and operation of each institution by delegating both the responsibility and authority for local financial operation to local boards of trustees without reference to the source of funding.

5. The plan should provide the advantages and benefits of a long-range, coordinated approach to education at the state level by providing for a statewide coordinating agency that has only one responsibility—to provide state-level coordination of institutions.

6. The state level coordinating agency may report to another state level planning agency that has concerns for the total program of higher education.

7. The plan should be directly related to program cost factors and should use the most recent data available. There should be provisions for fixed costs that will be somewhat different for each institution and variable costs related to factors of numbers, institution size, and similar data.

8. The plan should provide the state coordinating agency with discretionary authority to alleviate emergency situations (a) by establishing a contingency fund to act as a buffer in times of fluctuating enrollments and (b) by devising a policy on making special grants to colleges that would enable an institution to start new programs, to develop models for improving college management, or to carry out new untried or experimental or innovative programs.

9. The plan should provide a management information system used by all institutions and should establish a common format for accountability.

10. The plan should provide incentives that reward efficiency, good management, and improved service.

11. The state should provide full cost start-up funds for high tech courses for a sufficient time to allow the program to grow and stabilize without reference to normal funding processes.

12. Special allocations should be made to assure student support services for weekend programs and night programs while students are on campus.

13. If states mandate special programs such as testing for entry, exit, and quality achievement, then state plans should allocate funds to cover increased personnel and M.I.S. costs.

These criteria were used to evaluate the funding procedures of the various states. Table 4.1 lists the states and reflects the writers' opinions according to how well each state meets identifiable criteria. Each state was rated strong, medium, weak, or no applicability in reference to each criterion. A value of 3 was established for strong, 2 for medium, 1 for weak, and 0 for no applicability. Criteria 9–13 were not rated because state plans do not at this time describe the postures of the states in relation to these criteria in an adequate fashion.

The index for each state is the sum of the ratings on items 1–8. Tennessee rates an index of 23; Florida, New Jersey, Ohio, Oklahoma, Texas, and Washington each have an index of 22. The lowest state is Vermont with an index of 8.

These ratings are admittedly arbitrary and are based upon information available in this study. Others may wish to correct misimpressions. When the other five criteria are included, some change in the order may be apparent. The writers consider this to be a good beginning in any case.

TABLE 4.1
APPLICATION OF EVALUATION CRITERIA TO STATE DATA

State	Evaluation Criteria 1	2	3	4	5	6	7	8	9	10	11	12	13	Index
AL	S	S	S	W	S	S	M	W	•	•	•	•	•	19
AK	W	W	S	W	W	S	O	O						10
AZ	S	S	S	S	S	S	M	W						21
AR	S	S	S	S	S	S	M	W						21
CA	S	S	S	S	S	S	M	W						21
CO	S	S	S	M	S	S	M	W						20
CT	S	S	S	M	S	S	S	W						21
DE	S	S	S	S	S	S	M	W						21
FL	S	S	S	S	S	S	S	W						22
GA	S	S	S	M	S	S	M	W						20
HI	S	S	S	M	S	S	O	W						18
IO	S	M	S	M	S	S	M	W						19
IL	S	M	S	S	S	S	M	W						20
IN	S	S	W	M	S	S	W	W						17
IA	S	M	M	S	S	S	S	W						20
KS	M	W	S	S	M	S	W	W						16
KY	S	S	S	M	S	S	M	W						20
LA	S	S	M	M	S	S	W	W						18
ME	S	S	M	W	S	S	O	W						16
MD	S	M	S	S	S	S	M	W						20
MA	S	S	S	M	S	S	M	W						20
MI	S	M	M	S	M	S	M	W						18
MN	S	S	W	M	S	S	M	W						18
MS	S	M	S	S	S	S	M	W						20
MO	S	M	S	S	M	S	M	W						19
MT	S	M	S	M	M	S	M	W						18
NE	M	M	S	S	W	S	M	W						17
NV	S	S	S	M	S	S	M	W						20
NH	W	W	M	W	W	S	O	O						9
NJ	S	M	S	S	S	S	S	M						22
NM	S	S	S	M	S	S	M	W						20
NY	S	M	S	S	S	S	M	W						20
NC	S	S	S	S	S	S	M	W						21
ND	M	S	S	M	M	S	M	W						18
OH	S	M	S	S	S	S	S	M						22
OK	S	S	S	S	S	S	S	W						22

(continued)

TABLE 4.1—Continued

State	Evaluation Criteria 1	2	3	4	5	6	7	8	9	10	11	12	13	Index
OR	S	M	S	S	S	S	M	W						20
PA	S	M	S	S	S	S	S	W						21
RI	S	S	S	M	S	S	S	W						21
SC	S	S	S	S	S	S	M	W						21
SD	••	••	••	••	••	••	••	••						••
TN	S	S	S	S	S	S	S	M						23
TX	S	S	S	S	S	S	S	W						22
UT	S	S	S	M	S	S	M	W						20
VT	W	W	W	W	W	S	O	O						8
VA	S	S	S	S	S	S	M	W						21
WA	S	S	S	S	S	S	M	M						22
WV	S	S	S	M	S	S	M	W						20
WI	M	W	S	W	W	S	W	W						13
WY	S	S	S	M	S	S	M	W						20

*These areas represent relatively new criteria and state plans do not adequately describe them. Continued research is necessary.

**South Dakota has no two-year community colleges.

Note: S = Strong (3)
M = Medium (2)
W = Weak (1)
O = No applicability (0)

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